NEW SOUTH WALES.

UNEMPLOYMENT INSURANCE.

BY

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THIS memorandum has been prepared in pursuance of Sec. 82 (*b*) of the Industrial Arbitration Act, 1912, which empowers the Board of Trade "to acquire and disseminate knowledge on all matters connected with industrial occupations with a view to improving the industrial relationship between employers and workers, and to combat the evils of unemployment."

MEMORANDUM ordered to be printed by resolution of the New South Wales Board of Trade, passed on the 9th March, 1921.

H. L. LAMOND
Secretary.

Office of the New South Wales Board of Trade
University Chambers,
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UNEMPLOYMENT INSURANCE.

CHAPTER I.

INTRODUCTORY.

Probably no subject has occupied a more prominent place in the labour legislation of the world in recent years than that of social insurance. The growth of public interest in the subject has been manifested in a marked degree by the general acceptance of the principle of insurance against industrial accidents, and workmen's compensation is but a single phase. Health insurance and non-contributory old-age pensions have both received their share of attention in the under-current of public opinion, and, rising through agitation, have, in turn, emerged upon the surface of practical politics. But a survey of the events of the last two years reveals unemployment insurance as floating upon a flood tide of legislative favour. In the dislocation of trade due to the making of war, and to its termination, in the demobilisation of millions of men engaged in waging war, and in war-time industries—in these were the certain causes of widespread unemployment which called for action on the part of legislatures throughout Europe. Since the signing of the Armistice in 1918, provision has been made for schemes of unemployment insurance in Great Britain, Italy, Switzerland, Austria, Denmark, and Soviet Russia. Some of these more recent efforts are marked by a desire to break new ground, and by the abandonment of fundamental principles, while others manifest a spirit of caution, and a respect for principles that have stood the test of time and still survive in the systems evolved out of the experience of the last thirty years.

Schemes of unemployment insurance may be divided into two main groups, namely, unassisted and assisted. To the former it is only intended to make the briefest reference herein; but the subject of assisted schemes will require some elaboration. Before, however, giving an account of the most important efforts of the different States and public bodies throughout the world, it is proposed to consider the need for insurance, the call upon the community and upon the employer as well as the difficulties inherent in the problem of unemployment insurance.

CHAPTER II.

UNASSISTED SCHEMES.

For many years past certain trade-unions have had in operation various schemes for aiding their members who have lost employment. The essence of these schemes is the pooling of risks by a certain number of men who subscribe periodical payments for the benefit of those of them who happen to be the victims of irregular work. The form of the benefit is either a weekly payment in cash or kind during unemployment, or a grant in aid of travelling expenses to take up or seek new work.*

For the last two centuries a proportion of the workers in England has made provision against unemployment in this way. In 1908 among English unions having a total membership of 2,359,867, or more than 90 per cent. of the unionists then in the country, 1,473,593 were insured against unemployment. During the succeeding eight years the number of the insured increased in proportion to the enrolment of new members.† The extension of the limited compulsory scheme of 1911 by the Amending Act of 1915, 1916, and 1918 must, however, have reduced the scope for unassisted schemes, while the operation of the Unemployment Insurance Act of 1920 will have almost entirely eliminated the need for them.

This method of providing against unemployment—to some extent successful in Europe, and used to a limited degree in the United States of America—involves a simple relationship between the union and its members upon whose contributions alone it entirely depends. For the reason that the cost of insurance is too heavy a burden for the worker to bear alone, the unaided schemes of trade-unions have been limited in their incidence, and, for the most part, have failed to provide a protection for just the very class which is most in need of it, namely, those financially unable to insure, and those not included in the ranks of organised labour.

* "Insurance versus Poverty" (L. G. Chiozza Money), p. 315.
† *Labour Year-book*, 1916, p. 642.

CHAPTER III.

THE NEED FOR INSURANCE.

Until recently, whenever unemployment brought destitution in its train, it was regarded as a matter purely for the individual, and, at most, an occasion for the manifestation of charity. Now, however, it is generally agreed that, as much in the interest of the community as in that of the unfortunate sufferers from unemployment, the demoralising effects of continued involuntary idleness must not be allowed to go unchecked, and that the co-ordinated forethought and action of society as a whole should be directed to the solution of the problem.*

As an alternative to insurance against unemployment, the system of working short time has been suggested. In many countries this practice prevails in a few trades—in the mining trade, for instance—and it is thought possible that it might be extended without ill effects. In some instances, however, the working of short time would probably be difficult, and it seems doubtful whether the practice will be extended in any great degree. Moreover, in the very trades in which the working of short time is practised large numbers are occasionally thrown wholly out of employment, and for those who are subject to such risk some provision ought to be made.†

Once in every six or seven years, with a certain regularity, unemployment falls upon a nation like a plague—a plague so highly infectious that its spread can be traced as definitely as measles from the house of one neighbour to that of another. A shopkeeper in a locality where unemployment prevails suffers from the fact that a number of workers are out of their jobs, and the suffering is not confined to him. The wholesale house which supplies him, the manufacturer of his wares, and the operatives they employ, all suffer in a greater or less degree because trade in metals is bad or the available shipping greatly exceeds the demand for freight. The bootmaker's business, decreasing almost to vanishing point, he ceases to buy clothes for his family, and consequently, the clothier next door to him finds himself out of work. The baker who serves both feels he must postpone the repairing of his children's shoes, and so the boot trade is caught in the vicious circle.‡

With the world-wide development of industry the causes of fluctuations and irregularity seem to become more and more incalculable and their effects more and more inevitable by unaided individual efforts, and there is a growing concern for the maintenance of stability. The desire for stability is founded on a regard for security. Some may think that it is not a healthy tendency to exalt security as an end, but

* "Principles of Labour Legislation" (Commons and Andrews), p. 409.
† "Unemployment Insurance" (I. J. Gibbon), p. 227.
‡ *The Living Age*, February 18, 1911, p. 443.

that it should rather fill us with apprehension. It may be contended that the pursuit of a policy of safety implies that we are no longer virile, that we are incapable of further expansion, and are entering upon a period of decline. If, indeed, the ideal of free adventure could not be reconciled with that of economic security, there would be serious grounds for fear. In these circumstances the fate of our civilisation would only be a matter of time. These two ideals, however, when rightly understood, do not imply an essential opposition. In the ideal of adventure and of security there is that which is ignoble as well as noble. To distinguish between them and to direct our policy accordingly appears to be the great problem which confronts us. In order to be able to make the distinction it is necessary to recognise the fact that exposure to risks produces ignoble as well as noble results. It may be true that the race of Elizabethan mariners and explorers and of men like Captain Cook and Sir Ernest Shackleton were the products of encounters between dangerous risks and fearless resolution. On the other hand, there is in many countries a craven and famine-stricken population which lives on the slopes of an industrial volcano, exposed every day to incalculable risks against which no precaution can avail. There seem to be some grounds—resting upon induction from history and observation—for thinking that when a risk, by falling outside certain limits of magnitude and calculability, becomes a gambler's risk, the effects of exposure thereto are not healthful, but demoralising in the extreme.

It is, of course, necessary to the making and strengthening of character that the individual should have as strong a motive as possible to ward off the dangers which can be avoided by reasonable precautions on his part. But the community has a vital interest in seeing to it that within certain limits everyone has sufficient resisting power and reserve strength to encounter the ordinary vicissitudes of life which he is powerless to avoid. These limits, which vary with every nation, class and age, cannot be laid down in any dogmatic manner. Within a given nation or class, however, the limits probably change but slowly. Different schools of thought will doubtless fix the limits at different points, but there must be a neutral zone within which the relative public advantages and disadvantages of exposure to risk are fairly equally balanced. As to the principles governing the demarcation between the province of individual precaution and the sphere of social protection against economic risk, it is unlikely that the majority of fair-minded men would differ materially.

With regard to the risk of unemployment, there is doubtless a consensus of opinion that the loss of employment through bad work, irregular attendance, or misconduct should, in the public interest, be allowed to remain as a risk which the individual workman should carry. It would impair the national character and lower the national standard if employment were guaranteed irrespective of personal effort, conduct, or efficiency.

In countries whose prosperity is, to a large extent, dependent on their oversea trade, and which are liable to a prolonged depression, due, perhaps, to some financial catastrophe, thousands of miles away, there is an incalculable risk of unemployment, the exposure to which does the individual workman nothing but harm—a harm from which the community as a whole must suffer in a greater or less degree. A risk of that kind is far beyond the powers of the individual to foresee or to combat. So far from exercising an appreciable effect in stimulating self-help, the risk of having all one's savings swiftly swept away by cyclical fluctuations in employment would be demoralising, and tend to discourage the development and maintenance of habits of providence.*

The most remarkable feature of industry is, perhaps, the inherent irregularity of work. The irregularity is general, though there are workers, for instance, those engaged in administrative and clerical occupations, who are salary-earners and do not suffer from it as wage-earners do. In commercial houses a definite staff of officers and clerks is regularly employed throughout the year, though there is probably no commercial house whose work is perfectly regular in every season, month, or even week of the year. Although it cannot be said that such employees are entirely free from the evils of dislocation, the fact remains that they have a more regular maintenance than manual workers, and the recognition of this truth has given rise to the doctrine of regular pay. It is contended that though work cannot be made entirely regular, concerted effort and common rule should ensure that irregularity of work is not accompanied by irregularity of maintenance.

To properly appreciate this irregularity we must examine the causes of unemployment, which are by no means confined to individual incapacity, lack of training, inefficiency, and unwillingness to work. Cyclical depressions, seasonal fluctuations, and changes in industrial processes play a conspicuous part in the tragedy of unemployment. The forces of nature which operate to produce bad seasons, shortage of material, and other primary causes of irregularity in work are things which man cannot at present control, even if he ever hopes to in the distant future. It appears to be equally impracticable to regulate human demands and tastes so as to impart to trade a quality of permanence and regularity.

Seasons have an effect upon the demand for goods in many trades, which is somewhat pronounced in clothing, building, gas, pianoforte, cycle, and many other industries. Climatic variations sometimes have a serious effect upon the regularity of work. Bad weather interferes with many forms of work, particularly those which must be performed

* "Economy, Security, and Unemployment," by Sir Llewellyn Smith, K.C.B.—an address delivered at a meeting of the British Association for the Advancement of Science, at Sheffield, 1910, and reproduced in the *Economic Journal*, vol. xx, p. 513.

out of doors. Again, droughts, on the one hand, and excessive rains, on the other, may be responsible for the failure of crops and the shortage of raw materials, which will throw large numbers of persons out of employment in another part of the world. The shortage of material, which may have disastrous effects upon innocent persons, may come, not from the vagaries of the climate, but from economic shortage in relation to demand, natural or artificial. Producers in one country may "hold up" material, and as a consequence an army of workers in other countries may find themselves in a state of involuntary idleness.

The eccentricities and caprices of fashion account, in a remarkable degree, for irregularity of work. This is especially true of the trades which cater for the requirements of women. The fashion which popularised the hobble-skirt was the cause of heavy losses among manufacturers of woollen materials. A craze for a particular fabric springing up to-day may result in overtime being worked in many mills; in a few months the same branch of the textile industry may be thrown upon short time because the once-popular material no longer finds favour with the leaders of fashion. If, instead of dressing in the same way all at one time, women were to adopt a form of attire suitable to their individual tastes, the law of averages would operate to produce a constant demand for the various dress materials.

War—the preparation for war, and the termination of it—has an important bearing on the irregularity of work. A sudden increase may be followed by a sudden decrease in armaments when the immediate need for them has disappeared, and the demand which is set up by war, even in a neutral country, fails as soon as hostilities cease.

Financial difficulties have been known to bring unemployment to 25 per cent. of the workers of a great industrial nation, the output of whose staple product was reduced to about one-half within six months.*

The introduction of new machinery or new processes in an industry is a matter of frequent occurrence in these days, when the methods of a trade are often revolutionised within two or three years. When these changes are sudden, irregularity of work is one of the consequences. The adoption of ferro-concrete in the building trade displaced thousands of workmen in England in the course of a few years.

The want of continuity in the progress of trade has a pronounced effect upon regularity of work. The alternate waves of ebb and flow which mark the progress of any country are phenomena with which every student of commerce and industry is familiar. Between the point of greatest inflation and that of greatest depression in a trade cycle, the difference in the bulk of employment is often considerable, and means in big industrial nations, a loss of work to many thousands. These trade cycles appear to be one of the inevitable consequences of

* America in 1907.

competitive industry, which, again, provides a cause of unemployment that will only cease with competition itself. It does not appear possible to carry on a competitive industry without a reserve of workmen. There must always be a margin of unemployed to permit of competing for contracts.

The evidence of statistics provides a more or less accurate measurement of the irregularity of work. The figures relating to shipbuilding are, perhaps, more illuminating than those of any other industry. Shipbuilding, since it is concerned with the turning out of the carriers of international commerce, reacts to and reflects the depressions of all the trades of the world.

Comparative Table showing the Tonnage of Merchant Vessels Launched in the United Kingdom, Germany, and the United States, and the corresponding totals for All Nations from 1892 *to* 1919.†

Year.	United Kingdom.	Germany.	United States.	All Nations.
	Tons.	Tons.	Tons.	Tons.
1892	1,109,950	64,888	62,588	1,358,045
1893	836,383	60,167	27,174	1,026,741
1894	1,046,508	119,702	66,894	1,323,538
1895	950,967	87,786	84,877	1,218,160
1896	1,159,751	103,295	184,175	1,567,882
1897	952,486	139,728	86,838	1,331,924
1898	1,367,570	153,147	173,250	1,893,343
1899	1,416,791	211,684	224,278	2,121,738
1900	1,442,471	204,731	333,527	2,304,163
1901	1,524,739	217,593	433,235	2,617,539
1902	1,427,558	213,961	379,174	2,502,755
1903	1,190,618	184,494	381,820	2,145,631
1904	1,205,162	202,197	238,518	1,987,935
1905	1,623,168	255,423	302,827	2,514,922
1906	1,828,343	318,230	441,087	2,919,763
1907	1,607,890	275,003	474,675	2,778,088
1908	929,669	207,777	304,543	1,833,286
1909	991,066	128,696	209,604	1,602,057
1910	1,143,169	159,303	331,318	1,957,853
1911	1,803,844	255,532	171,569	2,650,140
1912	1,738,514	375,317	284,223	2,901,769
1913	1,932,153	465,226	276,448	3,332,882
1914	1,683,553	*387,192	200,762	2,852,753
1915	650,919	No returns.	177,460	1,201,638
1916	608,235	No returns.	504,247	1,688,080
1917	1,162,896	No returns.	997,919	2,937,786
1918	1,348,120	No returns.	3,033,030	5,447,444
1919	1,620,442	No returns.	4,075,385	7,144,549

* Returns Incomplete.

† "Lloyd's Register," 1920–21, Vol. ii., p. 974.

The above figures respecting the three nations which, by reasons of their natural resources in iron and coal, have, in the past, occupied a dominant position as the shipbuilders of the world, are remarkable for the evidence they afford of the fluctuations in several branches of the iron, steel, and engineering trades which, combined, make up the shipbuilding industry.

The construction of ships in British yards in 1908 suffered a decrease of 42 per cent. on that of the preceding year, the ratio between the two years being approximately 100 : 58. Though there was a slight improvement in 1909, the unemployment among workers in the shipbuilding industry of the United Kingdom assumed serious proportions. The smallness of the figures for 1915 and 1916 would be accounted for by the fact that all the resources of Great Britain were being employed in the construction of vessels of war, and therefore would not predicate a depression in shipbuilding.

Corresponding to the abovementioned period of slackness in British yards we find that the German output fell, in the two years succeeding 1907, to the extent of 53 per cent. From 1911 to 1914 there was a boom in German shipbuilding with which the record of only one previous year, viz., 1906, can compare.

The figures for the United States of America tell a similar tale. In 1897 construction decreased by nearly 53 per cent. on the previous year. Again, comparing the figures for 1903 and 1904, we find a fall of over 37 per cent. In the two years following 1907 shipbuilding declined in the United States to the extent of, approximately, 56 per cent., and, recovering in 1910, it fell again in one year from 331,318 tons to 171,569 tons in 1911. The war period gave America her golden opportunity, and she rapidly rose to a position of supremacy among the shipbuilding nations of the world.

The output of the world in 1907 was 2,778,088 tons. It fell in one year to 1,833,286 tons, and in 1909 there was a further decline of 231,229 tons, making for the two years following 1907 a fall of over 42 per cent.*

It will not be surprising to find that the period of extraordinary activity, as indicated by the launchings during the last two or three years, will be succeeded by a period of depression. Recent reports show that the year 1920 has been a record one for the dockyards of the United Kingdom, which turned out no less than 2,055,624 tons of merchant shipping, or 35 per cent. of the world's output of 5,861,666 tons. The falling off in the world's construction during 1920 is entirely due to a relaxation in the yards of the United States.†

* "Insurance versus Poverty" (L. G. Chiozza Money), pp. 301–309.

† *Sydney Morning Herald*, January 26, 1921, p. 9.

The available tonnage now appears to exceed the demand. The number of steamers laid up in British and Continental ports is so great that it is almost impossible to secure berthing accommodation, and the *Journal of Commerce* states that the total amount of shipping at present lying idle in the world is between 4,000,000 and 5,000,000 tons.* Lord Inchcape, Chairman of Directors of the Peninsular and Oriental Steam Navigation Company, Limited, in a letter addressed to the English press referring to the slump in shipping, mentions the congested state of the seaports, and declares that everywhere thousands of officers and seamen are unemployed.†

Table showing the Relation between the Tonnage launched and the Unemployment amongst Boilermakers and Iron and Steel Shipbuilders, in the United Kingdom, from 1892 *to* 1914.‡

Year.	Ships launched.	Unemployment amongst Boilermakers and Iron and Steel Shipbuilders.
	Tons.	Per cent.
1892	1,109,950	10·9
1893	836,383	17·0
1894	1,046,508	16·2
1895	950,967	13·0
1896	1,159,751	9·5
1897	952,486	8·6
1898	1,367,570	4·7
1899	1,416,791	2·1
1900	1,442,471	2·3
1901	1,524,739	3·6
1902	1,427,558	8·3
1903	1,190,618	11·7
1904	1,205,162	14·0
1905	1,623,168	11·6
1906	1,828,343	7·0
1907	1,607,890	9·3
1908	929,669	22·7
1909	991,066	21·4
1910	1,143,169	10·6
1911	1,803,844	4·5
1912	1,738,514	4·6
1913	1,932,153	3·5
1914	1,683,553	4·7

From this table one obtains a vivid impression of the ups and downs in the lives of workers closely connected with the construction of ships. In the export trade of Great Britain there are the same fluctuations which are reflected in the shipbuilding industry and in the trade-union unemployment rate.

* *Sydney Morning Herald*, January 27, 1921, p. 7.
† ,, ,, ,, 28, ,, p. 9.
‡ "The Seventeenth Abstract of Labour Statistics of the United Kingdom," Cd. 7733, p. 3.

*Fluctuations of Trade and Unemployment in the United Kingdom.**

Year.	Exports of British Goods.	Trade Unionists Unemployed.	Year.	Exports of British Goods	Trade Unionists Unemployed.
	£	Per cent.		£	Per cent.
1876.....	201,000,000	3·7	1898 ..	233,000,000	2·8
1877.....	199,000,000	4·7	1899 ...	264,000,000	2·0
1878.....	193,000,000	6·8	1900 ...	291,000,000	2·5
1879.....	192,000,000	11·4	1901 ...	280,000,000	3·3
1880.....	223,000,000	5.5	1902 ...	283,000,000	4·0
1881.....	234,000,000	3·5	1903 ...	291,000,000	4·7
1882.....	242,000,000	2·3	1904 ...	301,000,000	6·0
1883.....	240,000,000	2·6	1905 ...	330,000,000	5·0
1884.....	233,000,000	8·1	1906 ...	376,000,000	3·6
1885.....	213,000,000	9·3	1907 ...	426,000,000	3·7
1886.....	213,000,000	10·2	1908 ...	377,000,000	7·8
1887.....	222,000,000	7·6	1909 ...	378,000,000	7·7
1888.....	234,000,000	4·9	1910 ...	431,000,000	4·7
1889.....	249,000,000	2·1	1911 ...	454,000,000	3·0
1890.....	263,000,000	2·1	1912 ..	487,000,000	3·2
1891.....	247,000,000	3·5	1913 ...	525,000,000	2·1
1892.....	227,000,000	6·3	1914 ...	431,000,000	3·3
1893.....	218,000,000	7·5	1915 ...	385,000,000	.....
1894.....	216,000,000	6·9	1916 ...	506,000,000	.....
1895.....	226,000,000	5·8	1917 ...	527,000,000	.....
1896.....	240,000,000	3·3	1918 ...	501,000,000	.....
1897.....	234,000,000	3·3	1919 ...	799,000,000	.....

The figures supplied by the Statistician for the Commonwealth of Australia, though they cannot, perhaps, be taken as a complete register of unemployment, depending as they do upon the voluntary returns of unions, are informative and afford some index to the irregularity of work in our own continent. The subjoined table shows, throughout successive years, the course of unemployment due to lack of work as well as from all causes.

* *Statesman's Year Book*, 1920 ; Annual Statement of the Trade of the United Kingdom, &c., 1914, Vol. I, p. 6.

Unemployment in the Commonwealth of Australia due to lack of work and all causes, 1914-1919.

Period.		Lack of Work.		All causes.	
		Number.	Percentage.	Number.	Percentage.
1914	1st quarter (Jan. to March)..	10,941	4·5	13,873	5·7
	2nd ,, (Apl. ,, June) ...	11,371	4·3	14,395	5·4
	3rd ,, (July ,, Sept.) ...	25,935	9·6	28,584	10·6
	4th ,, (Oct. ,, Dec.)	24,839	10·1	27,327	11·1
1915	1st quarter (Jan. to March)..	30,795	11·1	33,346	12·0
	2nd ,, (Apl. ,, June) ...	21,965	8·4	24,662	9·4
	3rd ,, (July ,, Sept.) ...	20,825	7·8	23,541	8·8
	4th ,, (Oct. ,, Dec.) ...	15,305	5·9	17,839	6·9
1916	1st quarter (Jan. to March)..	14,808	5·1	17,178	5·9
	2nd ,, (Apl. ,, June) ...	12,178	4·4	14,720	5·3
	3rd ,, (July ,, Sept.) ...	11,674	4·3	14,391	5·3
	4th ,, (Oct. ,, Dec.).....	15,307	5·5	19,051	6·8
1917	1st quarter (Jan. to March)..	19,378	6·8	21,654	7·6
	2nd ,, (Apl. ,, June) ...	15,786	5·3	18,724	6·3
	3rd ,, (July ,, Sept.) ...	14,443	6·1	16,537	7·0
	4th ,, (Oct. ,, Dec.).....	17,791	6·3	20,827	7·4
1918	1st quarter (Jan. to March)..	11,372	4·2	13,968	5·1
	2nd ,, (Apl. ,, June) ...	11,839	4·3	14,569	5·3
	3rd ,, (July ,, Sept.) ...	14,559	5·0	18,207	6·2
	4th ,, (Oct. ,, Dec.).....	12,871	4·2	16,646	5·5
1919	1st quarter (Jan. to March...	14,167	4·7	19,777	6·5
	2nd ,, (Apl. ,, June) ...	15,917	5·3	25,658	8·5
	3rd ,, (July ,, Sept) ...	11,777	4·1	16,781	5·9
	4th ,, (Oct. ,, Dec.)	11,423	3·9	14,924	5·1

The following international statistics relate to percentages of trade unionists returned as unemployed during the period 1906 to 1913

Country.	1906.	1907.	1908.	1909.	1910.	1911.	1912.	1913.
Australia	6·7	5·7	6·0	5·8	5·6	4·7	5·5	5·3
Belgium	1·8	2·0	5·9	3·4	2·0	1·9	1·8	2·7
Denmark	6·1	6·8	11·0	13·3	11.3	9·1	7·3	7·2
France	8·4	7·6	9·6	8·1	6·5	6·2	6·1	5·2
* Germany	1·1	1·6	2·9	2·8	1·9	1·9	2·0	2·9
* Great Britain	3·6	3·7	7·8	7·7	4·7	3·0	3·2	2·1.
Holland	†	†	†	†	†	2·7	4·2	5·1
Norway	3·2	2·5	3·6	5·0	2·9	1·8	1·3	1·9
Sweden.....	†	†	†	†	†	†	5·4	4·5
U.S.A., New York	6·8	13·6	28·0	14·9	13·7	5·5	16·6	17·8
U.S.A., Massachusetts...	†	†	12·1	5·6	5·5	5·4	4·5	6·5

* Returns in these cases related solely to unions paying unemployment benefit
† Not available.

From these figures there appears to be a general similarity in the trend of unemployment in the various countries. There was a uniform decrease in the percentages of unemployed for four or five years up to 1912, while the high percentage of unemployment in all countries during 1908 and 1909 practically synchronises with a period of financial crisis in America.*

The evidence of irregularity in work due to the fluctuations of trade, arising from causes over which neither employees, employers, nor the general community can exercise a control, is so overwhelming that it cannot be seriously challenged. For material relief from the evils of unemployment there are some who urge that we must look to the organisation of the labour market. But when this method has been adopted, the problem of cyclical fluctuations will not have been in the least directly affected, while that of seasonal fluctuations will have been only lightly touched by the extended and organised use of subsidiary trades. The changes and irregularities of economic conditions are incalculable, and they still will continue to affect the security of employment. The most elaborate system of labour exchanges developed to the highest pitch of practical utility cannot be expected to find for a man who has lost one job immediate employment in another suited to his capacity. Allowance must always be made for the inevitable interval that will separate the loss and the recovery of employment.

For meeting the fluctuations of the labour market the method that appears to be applicable both to general trade depressions and to the incalculable varieties of individual misfortune is some form of unemployment insurance. The word "insurance" as used here is not to be regarded as a term of art, but to be applied loosely to any process which provides for the laying aside by each of a number of workmen, a proportion of his wages that he may receive an allowance while unemployed. In this sense the word includes schemes which provide for contributions by employers or grants from other sources.†

**Commonwealth Bureau of Census and Statistics* (Australia)—"Labour and Industry Branch Report," No. 5, p. 98.

† "Unemployment: A Problem of Industry." (W. H. Beveridge), 219, 223.

CHAPTER IV.

THE CALL UPON THE COMMUNITY.

Unemployment enfeebles the present, poisons the future, and breeds poverty, disease, and demoralisation in the community. The community that takes no heed of its existence, and allows it to develop unchecked will find itself burdened with a multitude, helpless and destitute, and passing rapidly beyond redemption. Insurance will save charges which would otherwise have to be incurred. The penalties which a community suffers from the idleness of its members are likely to be the heavier when those members have lost their self-respect and become dependent upon charity. A proportion of men struggling in the storms of fate will sink to those depths of depravity which make a penal code and the maintenance of prisons a necessary part of the administration of justice.

Schemes of insurance which provide assistance to persons who help themselves encourage self-help and foster habits that must conduce to the general good of the community. For instance, the habit of deliberate co-operative providence may be cultivated and considerably developed by a wise system of insurance. Besides that of self-interest there are other reasons which should cause the community to lend assistance against unemployment, which, as already pointed out, is partly a consequence of the general social organisation. The introduction of some invention or change in industrial process may benefit the community, but, for a time at least, it hits hard the workmen formerly engaged in the production of the article concerned. To these workmen the community surely owes a debt to the extent, at least, of assisting them to make provision against such contingencies. The community is also partly responsible for some of the ordinary causes of unemployment. In seasonal unemployment there is the unnecessary rush causing a glut in one season and stagnation in the other, while freakish changes of fashion deprive many thousands of their means of subsistence.*

* "Unemployment Insurance" (I. G. Gibbon), p. 19.

CHAPTER V.

THE CALL UPON EMPLOYERS.

Partial responsibility for unemployment has been urged as a reason why the community should assist. It appears to be also a good ground for requiring that employers should contribute. The manner in which an employer conducts his business must, to an extent, affect the amount and regularity of employment. If he be required to make financial provision against the unemployment of his workmen he would have an interest in adopting measures for preventing unemployment, and regularising work. Not a few consider that faulty organisation is responsible for some of the unemployment that exists, that employers, by improving their methods, can do a great deal to reduce the irregularity of work, and that contributions to a fund, which bear some relation to the risk of unemployment provide a healthy inducement. An industry that does not provide regular employment is apt, it is contended, to become parasitic and burden other industries with the partial maintenance of its workers. If each industry is made to bear its own burden, there is less difficulty in determining which industries contribute and which detract from the general well-being.

There are other advantages which might reasonably be expected to flow from the participation of employers, and which might have considerable social consequences. There is reason to suppose that the sense of solidarity between employer and workmen would become keener, for they would both be co-operating for a common purpose. It is not difficult to understand how, under a well-devised scheme, representatives of both sides, sitting round a committee table and discussing the administration of a grant in aid, would be able to foster a sense of common interest and develop a habit of common action.*

* " Unemployment Insurance " (I. G. Gibbon), p. 22.

CHAPTER VI.

DIFFICULTIES OF UNEMPLOYMENT INSURANCE.

If it be assumed that insurance is necessary, or even desirable, the question might be asked, "Is it practicable, or even possible?" Prominent students of social subjects have been asking this question for a number of years, and have not always received an affirmative answer. Some of the experiments made in different countries by municipalities and voluntary organisations were unqualified failures. Moreover, the hesitation which has been manifest in making the experiment in many advanced communities appears to indicate that unemployment insurance possesses certain complex and difficult features which are not known to other forms of social insurance, such as accident or sickness insurance. The real difficulty has been the absence of a simple test of unemployment. The fact of accidental injury, or of sickness is one that may be more or less easily established. The lack of unemployment is, on the other hand, a fact more difficult to determine. In order to minimise the risk of fraud, and to provide a satisfactory test of genuine unemployment, a well organised system of labour exchanges appears to be an essential element of any scheme. It is perhaps desirable in connection with insurance against any risk that the nature of the risk should be capable of being calculated with some degree of certainty, and that it should be clearly specified. It has been contended that unemployment can neither be accurately specified, nor its amount calculated on account of the uncontrollable forces which produce it; that it is impossible to say what work a person is able to do, what work he should do, and under what circumstances he should be forced to work in case of unemployment. It is also asserted that modern statistics of unemployment are not sufficiently accurate to base a scientific system of insurance upon them—that as a result of their imperfection the risks are incalculable. It must be remembered, however, that life, fire, transport, and accident insurances were begun without statistics, which were only built up in the course of time, and upon the experience gained in each of the several activities. Unemployment insurance funds, moreover, have, wherever established, provided the means of securing reliable statistics, and efficient systems of labour exchanges have been able to furnish valuable data from their records.*

* See "Social Insurance" (Rubinow), p. 456.

CHAPTER VII.

ASSISTED SCHEMES.

An examination of the assisted schemes of unemployment insurance which have been in the past either proposed or adopted, shows that, in the main, they fall into three distinctive classes, viz., (*a*) provided voluntary insurance; (*b*) subsidised autonomous voluntary insurance; and (*c*) compulsory State insurance.

In the evolution of unemployment insurance the stage which succeeded the unassisted insurance of trade-unions was that in which insurance was provided by public or semi-public authorities, dating from a period about twenty-five years ago. Most of the public bodies were municipal, the administration of the funds being under the control of certain cities in Switzerland, Germany, and Italy. These schemes were, in practice, nothing but modified forms of public relief to the few unemployed who had paid into funds, the bulk of which was contributed in the form of charity by the municipality concerned, and by resident individuals. This method of insurance has not proved attractive to the workers as a whole, and has done very little to reduce the evils of unemployment. Schemes of this type tend to become refuges for bad risks; they have been found to be costly and to require large subsidies, the burden of which the municipality has eventually to bear alone.*

Of the various subsidised autonomous voluntary schemes now in existence the Ghent plan, started in 1900, was the parent. By this plan public bodies came to the aid of the unassisted voluntary insurance schemes provided by trade-unions for the benefit of their members. The Ghent system, the distinctive feature of which is the utilization of existing organisations, has been widely adopted throughout Europe, and has received recognition in the compulsory system of Great Britain. This method of insurance, which has met with a marked degree of success, has many advantages. Use is made of existing organisations, and the expenses of administration are lower than under management by the State or municipality. Control is preserved over the accumulation of bad risks, and a satisfactory test of the genuineness of unemployment is provided. It is also claimed that actuarial difficulties are avoided, since the rates of contribution and benefits are settled by the trade-unions or other associations which are in close contact with the workers affected. The educative influence upon workmen managing organisations started and maintained by themselves must also be taken into account when assessing the merits

* See *Journal of Political Economy*, vol. xx, p. 198; and the *Labour Gazette* (Canada), September, 1920, p. 1201.

of this method of insurance. The Ghent system, however, is not entirely free from defect. The persons who are most in need of assistance during unemployment are the unorganised workers; but under this plan it is only the organised worker for whom provision is made.

Compulsory State insurance was first attempted in 1894 at St. Gall, in Switzerland. The scheme there tried provided for contributions by the workers, but not by the employers. Owing to defective administration and other reasons the St. Gall system failed, and was abandoned after an experience of two years. For some time afterwards, compulsory insurance suffered from the setback it received at St. Gall, and it was not until 1911 when the first British National Insurance Act was passed that the principle was again afforded an opportunity of being practically tested.* The outstanding advantage of compulsory insurance is that all persons within the purview of the scheme are bound to make provision against unemployment, whereas the voluntary system permits the very persons who most need to make provision, to refrain from doing so. It would seem, too, that the cost of administration can, in certain respects, be kept lower than in a voluntary scheme. For instance, the contributions of employees can be collected through the employers.†

In view of the fact that some of the systems now in operation contain elements which belong to more than one of the above classes, it is thought advisable, in order to give a coherent and complete account of the several schemes, to deal with each under the head of the country or locality with which it is identified.

Switzerland.

The people of Switzerland are renowned for their frugality; in their eyes waste is the worst of unpardonable offences, and to them it is a source of the greatest satisfaction that no other people in the world are able to make a penny go quite so far as they can. To such a people, therefore, the economic importance of unemployment questions would make a natural appeal, and it is a matter for little surprise to find that the Swiss have for many years given the closest attention to the problem of the unemployed.

It has for a long time been realised in Switzerland that an unemployed working-man, if left to his own devices, is prone to become unemployable. Tramping up and down, day in, day out, vainly looking for work, tends to dishearten the seeker and to cause him ultimately to lose his desire for occupation. Begging and vagrancy are regarded as crimes, and in certain cantons the police receive a special reward for the apprehension of each beggar or vagrant. If a man be out of work he must try and find a new job. If he fails, the authorities will

* See The *Labour Gazette* (Canada), September, 1920, p. 1201; and "Principles of Labour Legislation" (Commons and Andrews), p. 409.

† The *Economic Journal*, vol. xx, p. 172.

find one which may not be entirely to his taste. The person who refuses such a job is despatched to a penal workhouse under military discipline. In the treatment of unemployment questions the Swiss have, however, always drawn a distinction between the unemployed by casualty and misfortune, and the unemployed by laziness or misconduct.

Though for some years past a number of towns and cities, notably Berne, Basle, and Geneva, have had their own schemes in operation, it is interesting to observe that the Confederation in 1919 introduced, as a temporary measure, a system of relief based upon compulsion. This transitory scheme provides for relief up to 60 per cent of the normal earnings, or 70 per cent. in the case of those with legal dependants. The funds are derived partly from grants from the Federal Government, the cantons, and the communes, and partly from contributions levied upon the employers.* The benefits are limited according to the number of dependants, and with regard to the cost of living in different localities. Particular interest attaches to the scheme for two reasons: first, because it is expected to be the forerunner of a permanent Federal scheme of insurance, and, secondly, because the compulsory method, so long discredited in Switzerland, appears to have again come into favour. How, and to what extent, such a permanent scheme will, when adopted, affect those in operation in particular localities can be at present only a matter of conjecture.

Berne.

The first municipal bureau for insurance against unemployment that the world ever saw was opened at Berne in April, 1891. At this bureau, which was organised on voluntary lines, any Swiss subject was entitled to insure. Those who insured were required to contribute about 4d. a month to the fund, and, in return, they received about 10d. for every day, not exceeding sixty, during unemployment not brought about by their own fault. In cases where the insured had dependants, the benefit provided for was, roughly, 1s. 3d. per day. In 1895 the scheme was weighed in the balance and found wanting. Its failure was felt to be due to the fact that only the unskilled workers in the trades most liable to unemployment availed themselves of the opportunity to insure. It was thought that if working-men of all classes could be induced to throw in their lot together and insure against unemployment, success would follow. The need for a compulsory system was admitted. To achieve this a Bill was framed, and an attempt made to pass the measure, but the cantonal parliament ultimately abandoned it.

The voluntary scheme continued to operate, and, after certain reorganisations, it ultimately developed into a useful institution. Any person residing at Berne, who was able to work, and not more than

* The *Labour Gazette* (Canada), September, 1920, p. 1201; and see the *Labour Gazette*, January, 1920, p. 11.

60 years of age, became entitled to insure. All that was required was an application to the bureau, either directly or through his employer or his union, for an insurance book. Every month an insurance stamp to the value of about 7d. had to be pasted in this book. An insured person thereupon secured the right to an allowance for every day of unemployment for a period of sixty days during the months of December, January, and February. It was provided, however, that the insured must have been employed for at least six months in the course of the year, that he must not have lost his work through laziness or disorderly conduct, or other fault of his own, and that he had not refused work offered to him on reasonable conditions. A person unemployed through illness is not entitled to claim an allowance, nor can one who is out on strike. If the insured has belonged to the bureau for less than eight months, or is in arrears in his payments, he is debarred from benefit. For the first thirty days of unemployment the benefit was fixed at a sum equivalent, roughly, to 1s. 3d. per day, in the case of a man without responsibilities, and 1s. 8d. per day where there were others dependent upon the insured. For the remaining thirty days a reduced allowance was payable. The exact sum is in the discretion of the directors, and, in practice, it works out at anything from 8d. to 1s. 3d. If the directors refuse to grant an allowance or reduce it at the end of thirty days below what the insured considers he is entitled to, an appeal lies to the Court of Trade.*

Basle.

In 1899, after mature consideration, the cantonal government of Basle City introduced a Bill to provide for insurance against unemployment. The Bill, which provided for a compulsory system of insurance, had been drafted six years previously, with the assistance of Dr. Adler, one of the foremost authorities in Switzerland on the question. All wage-earners, with certain minor exceptions, who were engaged in a factory, building, or earth-work, and receiving pay amounting to less than £72 per annum, were required to be insured. The rate of contributions varied first, according to occupation—regard being had to its liability to unemployment—and, secondly, according to the wages earned. There were sixteen possible rates of contributions, ranging from ½d. to 4¾d. per week, and they were collected through the employer. The benefits, ranging from 6¾d. to 1s. 7½d. per day, varied according to wages, and—a departure from the strict principles of insurance—according to the number of dependants. Provision was made for persons working short time, and for the case of unemployed persons engaged in by-employments. A contribution of 1d. per week was required in the case of some employers, while others had to contribute a weekly sum of 2d. per worker. The canton was required to bear the expenses of administration, and also to sub-

* The *Nineteenth Century*, vol. lxiv., p. 765.

sidise the fund to the extent of £1,200 per annum. In fixing the subsidy at what was regarded as a comparatively high figure, the consideration which weighed with the supporters of the measure was the belief that the scheme of insurance would reduce the expenditure which had been necessary in former years for the relief of the unemployed. The scheme was to be administered by a committee constituted of representatives of employers as well as of insured members. After passing through the cantonal parliament with but slight opposition, the measure, upon being submitted to a referendum of the people, was rejected by a majority of almost five to one. The main objection to the scheme seems to have been the fact that it was based upon compulsion. Those who felt fairly certain of constant employment regarded it as an attempt to tax the better class of workers for the benefit of the worse. So strongly were the citizens of Basle opposed to the scheme that the Government gave up all hope of establishing a compulsory system, and decided to make an attempt on voluntary lines.*

In 1901 a scheme was drawn up which aimed at inducing the labour unions to found insurance offices of their own. An annual subsidy was to be granted to such as would provide allowances for those of their members whose unemployment was not due to their own fault. This proposal, like the former, met with strong opposition, it being urged that no provision would be made for the very men who most needed help, namely, the casual labourers who did not belong to any union.

A Commission was then appointed to consider the causes of unemployment, and the remedies proper to be applied. After an inquiry and deliberation extending over five years certain recommendations were submitted, upon which was founded the Basle scheme of 1908, which received legislative sanction in the following year. Provision was made for the establishment of a State Unemployment Fund, and for subsidising insurance against unemployment effected through voluntary associations. Any able-bodied worker over 17 who has been a resident of Basle for six months, and employed there for three months is entitled to become a member of the State Fund, provided he is not a member of an association which gives unemployment benefits and receives a subsidy from the canton. Rates of contribution and of benefit are fixed by the Executive Council. They may vary according to the occupation, earnings, and family responsibilities of the persons insured. Persons who have been members for a long time, and have made no claim, may obtain a reduction in their rates of contribution. Benefit is only payable in respect of involuntary unemployment due to lack of work. It is limited to seventy days in a year, and must not exceed two-thirds of the usual rate of wages. There is power in the Executive Council, where persons have been a heavy charge on the fund, to reduce the period for which benefit may

* *Nineteenth Century*, vol. lxiv, p. 272; and the *Economic Journal*, vol. xx, p. 175.

be received. An unemployed member who claims benefit must accept work that is offered to him provided it is reasonable as regards its nature and pay. If he refuses such work he forfeits his right to benefit; but he cannot be required to fill a vacancy resulting from a strike or lock-out. Persons without dependants may, upon an advance of travelling expenses, be required to accept employment outside the canton. In filling vacancies preference must be given to insured members through labour exchanges or other public institutions. The cost of administration is borne by the canton, which must also pay a subsidy. The management of the fund is in the hands of a committee of eleven members, who hold office for three years. Five ordinary members and the chairman are appointed by the Executive Council, the other five being chosen by the insured persons. A general control is exercisable by the committee, whose powers include that of the expulsion of members. As already mentioned, provision is made for subsidising insurance effected through voluntary associations. The subsidy is payable directly to the particular association which fulfils the requirements. Before a subsidy can be obtained, the association must have not less than fifty members residing at Basle, and its head office or a branch must be situated within the canton. Where an association, as in the case of a trade-union, has other objects than that of providing unemployment insurance, it must, if a subsidy is desired, keep its insurance accounts apart from its general accounts. Subsidies of two kinds are grantable:—

(i) A subsidy which is payable in proportion to the contributions of the members.

This may vary from 20 per cent. to 40 per cent. of the sum contributed, and the actual rate is fixed by the Executive Council. This subsidy is paid into a reserve fund to provide for periods of crisis, and the use of it may be prescribed by regulations. In the event of the reserve fund exceeding a certain limit, the subsidy may be temporarily suspended.

(ii) A subsidy which is payable in proportion to the benefit received by members.

This may vary from 30 per cent. to 60 per cent. of the benefit paid, and, again, the actual rate is determined by the Executive Council. The association may expend this subsidy, as it pleases, for the purpose of insurance against unemployment. If the total property of the association should at any time exceed a certain limit, payment of the subsidy may be suspended.

For the purpose of determining the subsidies payable to an association, the contributions and benefits of only those members who have resided at Basle for at least six months may be taken into account. As in the case of the fund, the payment of benefit is limited to seventy days, and must not exceed two-thirds of the wages. Members of an

association who claim benefit after failure to obtain work through the association are required to report at the public labour exchange. To these claimants the same preference is given in filling vacancies as is afforded to members of the State Unemployment Fund.*

This law may, perhaps, be said to reflect the long, interesting, and instructive experience of Basle in questions of unemployment insurance. Though the city of Basle is a busy industrial centre, its population is only about 140,000 persons, and its area is very small. These circumstances appear to have been particularly advantageous for a close and intimate study of the problem under conditions similar to those which obtain, on a larger scale, in modern industrial communities. A number of deductions may be drawn from the experience of Basle, and the main conclusions set out as follows:—

(1) The practice of granting donations of money or goods is open to abuse, and demoralising to the recipients.

(2) Compulsory insurance is not always acceptable to labour interests.

(3) Trade organisations, such as trade-unions, are the proper media for the payment of unemployment insurance benefits.

(4) Subsidies should be granted by the State to insurance funds of trade organisations.

(5) The establishment of a State scheme of insurance is necessary for those persons who are not provided for by trade organisations, and special facilities should be made available for finding work for unemployed members.

(6) To those who are insured against unemployment preference should be given in filling vacancies through labour exchanges or other public institutions.†

Geneva.

A scheme founded on the Berne model was established at Geneva in 1904, but was abandoned five years later in favour of the Ghent plan. The former made provision for the payment of an entrance fee besides premiums, of which there were two rates based upon the earnings of the insured. There were also two main rates of benefit corresponding to the rates of contribution. Where the recipient had a number of children under 14 who were dependent upon him, he was entitled to a proportionately higher rate of benefit. In addition to grants by the commune and the canton, subscriptions and gifts from private persons were relied on. The labour office was closely connected with the operations of the scheme. Though liberal donations were received, the scheme appears to have been a failure. Trade-unions were hostile to it, and it failed to prove attractive to the workmen.

* See "Unemployment Insurance" (I. G. Gibbon), p. 132, and compare the account of the Bill given in the *Nineteenth Century*, vol. lxv, p. 272.

† "Unemployment Insurance" (I. G. Gibbon), p. 135.

In these circumstances the canton determined to adopt the plan of assisting insurance per medium of the organisations controlled by the workmen themselves. Under the new scheme, the assistance, which was guaranteed for a period of ten years, was payable in respect of any person who was a member of an association providing insurance, and had resided in Geneva for at least one year, or who, for that period, had been a member of a Swiss organisation which provided insurance. The subsidy was fixed at 60 per cent. of the benefit paid by the association, but it was provided that assistance could not be claimed for more than sixty days in respect of the same person. Where an association had objects other than that of insurance, the accounts of all transactions relating to insurance were required to be kept separate and distinct.*

St. Gall.

Any commune in the canton of St. Gall was empowered by legislation passed in ~~1901~~ 1894 to set up a scheme of compulsory unemployment insurance. Under the law the local authority could require all workers resident within its jurisdiction, and earning not more than 4s. a day, to insure, except they were already covered to the same extent by some other scheme of insurance, such, for instance, as might be provided by labour organisations. In the case of those whose earnings were greater, participation in the scheme was to be merely optional. The fund was to depend for its revenue upon the contributions of the insured and upon subsidies from the commune and the canton, while further assistance was also contemplated from the Swiss Confederation.

The local authority of the town of St. Gall, taking advantage of the power conferred, put the scheme into operation, and endeavoured to persuade two neighbouring communes to join. To these, however, the scheme did not appear to commend itself, and St. Gall was left alone to make the world's first experiment in compulsory insurance. The experiment, from the first, met with the hostility of the better class of workmen, and after two years of unsatisfactory administration it was pronounced to be a complete failure, and accordingly abandoned. By many the scheme was regarded as badly conceived, and badly executed. Despite the fact that many were fined, large numbers of workmen declined to insure; others, again, preferred to migrate rather than pay the necessary premiums. Messengers, commissionaires, persons in the postal service, and those employed upon the railways were exempted, although there was some doubt as to the legal authority for such exemptions. The application of the scheme to messengers was considered impracticable because of the difficulty of verifying the unemployment, while, on the other hand, employees of the postal and railway services were hardly ever out of work, except through their own fault.

* "Unemployment Insurance" (I. G. Gibbon), pp. 68 and 220.

Owing to the absence of an adequate check in respect of unemployment it is said that many persons drew benefits who were really not entitled. It was found that many workmen who were accustomed to leave town at certain seasons to seek work in the country remained in town and drew the benefits available under the scheme. The administration was in the hands of the Poor Law Department, and while the officer in charge was called upon to discharge additional duties, he was not given additional pay. In these circumstances it is not difficult to understand that the administration became lax and many abuses crept in. The absence of any obligation on the part of employers to contribute tended to increase the opposition which the better class of workmen manifested from the outset, and this ultimately proved too strong to withstand.*

The Ghent Plan.

After a great deal of preliminary investigation and discussion, extending over a number of years, the Municipal Council of Ghent determined to help its wage-earners to make provision against the constant risk of unemployment. It was decided to encourage self-help among the workers by adding 60 per cent. to whatever benefits might be paid to an unemployed man or woman, whether provision was made by insurance or savings by an individual or associated effort by a trade-union or by mutual insurance. The result of the first twelve years' operations, during which more than a million francs had been expended, was entirely to the satisfaction of the taxpayers. The alleviation of the misfortunes of the unemployed was not the chief aim of the Ghent system, for an appeal to public and private charity had always met with generous response. The main purpose of the plan was to generate and develop among the working-classes the spirit of independence, and a desire for self-support, and to minimise the number of those who, frequently finding themselves out of work, habitually had recourse to charity. The number of persons in receipt of public charity in respect of unemployment fell from 5,875 in 1900 to 3,158 in 1912, which, allowing for the increased population in the interval, represents a reduction of 50 per cent. During the same period, the number of tramps housed by the city declined by 24 per cent., while the number of workmen insured against unemployment increased 100 per cent. The wage-earners of Ghent may now be divided into two classes. The first comprises those who are affiliated with the various forms of insurance against unemployment, strikes, sickness, old age, and accidents. The second is an inferior class, the members of which are forced to appeal to public charity whenever misfortune overtakes them. The former, steadily increasing in influence and numerical strength, is already more numerous than the latter. Notwithstanding this fact, the improvident workmen cost the taxpayers of Ghent twenty or thirty times more than the insured.

* The *Economic Journal*, vol. xx, p. 173.

Though the amount of unemployment in the year 1908 was extraordinary, the Ghent system stood the strain of that period of serious industrial depression. The unemployed benefits paid out during that year amounted to 99,168 francs,* and that sum was supplemented by grants from the municipality to the extent of 46,701 francs. The original offer of a supplementary subvention was general, and any association had the right to secure 60 francs for every 100 francs paid away in benefits. None but trade-unions, however, took advantage of the opportunity. This may be accounted for by the fact that organised labour alone has sufficient *esprit de corps* to prevail upon workmen to contribute, from their meagre earnings, regular payments to an unemployed fund. The fact remains that no other organisation has succeeded in enlisting any real measure of support.

Trade-union leaders have everywhere consistently advocated the Ghent system, and have carried on a systematic campaign of education both among their own members and the general public. The Ghent idea receives the approbation of employers, employees and taxpayers gnerally because it is an expression of the fundamental theory of social insurance, which is help for self-help. It meets with the approval of municipal councils which are weary of setting on foot public works for the benefit of the unemployed because such measures produce no permanent good, and often have the effect of aggravating the evil. Assisted insurance, on the other hand, has had the effect of reducing the number of applicants for benefits. In Ghent, unemployment, when considered in relation to the total trade-union membership, has been found to have steadily declined. From 1896 to 1899—a period prior to the adoption of the insurance scheme—the ratio of unemployed to trade-union membership was 31 to 1,000. During the first three years of the operations of the Ghent system, the ratio was 27 to 1,000, while, later, the ratios were 23 to 1,000 from 1904-1907, and 22 to 1,000 from 1908-1912. In 1913 the number of unemployed unionists fell as low as 16 and 12 per 1,000.

Thirty towns in Belgium, twenty-five in Holland, twenty in France, ten in Germany, three in Italy, and two in Switzerland, have followed the example of Ghent. The principle of the Ghent plan has also been incorporated in the national systems of unemployment insurance adopted by Denmark, Norway, and Great Britain.†

France.

The workers of France appear to have a decided preference for that type of insurance which is effected through the agency of trade-unions aided by subventions from the municipality. This is the method which has been in operation in no less than thirty French towns for the past seventeen years, and in the case of two—Limoges and Dijon—since 1896.

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* The par value of a franc is, approximately, 9½d.

† *The Survey*, vol. xxxi, p. 667.

In 1902 a proposition was submitted to the Superior Council of Labour by M. Millerand, then Minister of Commerce and Industry, whereby the State should add a subvention to the quotas already contributed to the unemployment funds by the different municipalities. This was approved in 1903, and an annual sum of 110,000 francs was voted by Parliament in 1905. The conditions attached to the grant of subvention contain certain departures from the Ghent scheme. In the first place, the State grant is reckoned according to benefits, and payment is made every six months into the unemployment fund, and not directly to the members of the fund. The rate of allowance, too, varies as between different types of organisations. To federated trades the allowance is 30 per cent., while local organisations receive only 20 per cent. The federated trades are organisations with a membership of not less than 1,000, operating in at least three departments or districts. The preference has been accorded to them upon the assumption that they are more permanent than the small local bodies, and better able to control their members, and to provide opportunities of work. The State grant may only be applied to the relief of involuntary unemployment consequent upon lack of work. It is expressly provided that the grant may not be used in cases where sickness and strikes are the contributing causes of the unemployment.

Amendments have, from time to time, been made in the law of 1905 with the intention of making unemployment insurance more attractive. The privilege of organising all-trade funds, which was formerly restricted to towns with a population of only 20,000, has now been extended to those with 50,000 inhabitants. In the first instance the State grants to local funds and federated unions were respectively 16 and 24 per cent. of the benefits paid. These were subsequently raised to the figures already given. The benefit allowance taken into consideration in computing the State grant was increased from 2 francs to 2½ francs per day. Notwithstanding all that has been done to popularise unemployment insurance, little progress has been made in inducing those who suffer most from unemployment to establish and maintain insurance funds. At the end of 1912, 49,000 were reported to be insured, and of that number no less than 38,000 belonged to well-paid trades in which the risk of unemployment was comparatively small.

Compulsory insurance is not favourably regarded in France, which had a most unfortunate experience of compulsion in connection with insurance against old age. Legislation passed in 1910 required all wage-earners and artisans, men and women whose annual earnings amounted to less than 3,000 francs, to insure their support during old age. Contributions to the insurance fund were required from employers and employees in equal sums, and the State undertook to add a bonus to the retiring allowance. Registration of persons coming within the scope of the law began in July, 1911. On the 31st December, 1912, though there were 7,077,630 on the list, only 1,964,173, or

27·7 per cent. were paying subscriptions into the fund. The failure in this case may be attributable to the Frenchman's innate hostility to compulsion, but there is, at least, one other fact which may have been a contributory cause: A decision of the Court of Cassation given in December, 1911, relieves the employer from the onus of collecting the dues of his workmen, and from the penalty for failing to pay his own contributions. This, of course, goes a long way towards rendering the compulsory clauses practically nugatory. A law of July, 1905, guarantees a pension to every citizen who has reached the age of 70 years, or is invalided before that age is attained. There is no doubt that this provision would so tend to diminish the inducements to participate in the compulsory scheme of old-age insurance as to cause the less thrifty elements of the population to evade it if there were any way out. There is now a general consensus of opinion that the pension system ought to have been abrogated before compulsory insurance against old age was inaugurated.*

Germany.

The tendency of political thought in Germany since the days of Bismark has become increasingly favourable to the notion that society as a whole is partly responsible for the lot of the individual. Some countries, doubtless, would still regard such an attitude as extremely radical, but in Germany it soon came to be looked upon as somewhat conservative. Before the war, both economists and the paternal governments of German states had become convinced that the state or the local governments should share the responsibility for unemployment. It was considered that a fund should be provided to which the unemployed would be entitled, as of right, to turn for assistance.

For years past unemployment during the winter months has constituted a regularly recurring problem in many German towns. By these a great amount of time and attention has been devoted to the discovery of a satisfactory solution. After deliberating upon the policy of using public funds for the purpose of unemployment insurance, the majority of municipal councils or State commissions decided that the principle was a correct one. The German cities and states have endeavoured to eradicate dependent pauperism from the social system, and their aim has been to prevent the degeneration of labour during those periods when it was temporarily out of use. To the German the psychological aspect of the problem appears to have made a special appeal. More than anything else, it was important that the spirit of the citizen should be maintained in a healthy state of self-respect and courage. Specific provisions had been made for the defective, the sick and the aged, but when these had been eliminated from the problem, there remained the capable and willing for whom there was no work.

* *The Survey*, vol. xxxii, p. 281.

Though more experiments have been made, and more practical results achieved by the municipalities, the consideration of unemployment insurance has been by no means confined to them. The fear of emigration caused Germany, perhaps more than any other country, to be particularly solicitous of her unemployed. The Imperial policy was to make life at home so easy and endurable as to preclude an unfavourable comparison with conditions abroad and the probable consequence of a serious exodus of workers. There is evidence that in the pre-war days the minds of German statesmen had been concentrated on a compulsory scheme of insurance. The scheme was to compel thrift on the part of those workers who were liable to risks of unemployment; the employers were to be required to contribute, and provision was to be made for a State subvention. Employers, as a whole, were not opposed to the plan; indeed, many of the great industrial concerns had private schemes of their own. Some of these, including the Lang Machinery Company of Mannheim, acted on the principle that when a number of workmen had been assembled and organised with a highly specialised branch of labour a greater loss would be sustained by allowing them to migrate in search of work than by maintaining them during slack periods and retaining them ready for re-employment.

In 1902 the Reichstag carried a resolution requesting the Imperial Government to investigate the possibility of insurance against unemployment. The matter was referred to the Imperial Bureau of Statistics, which furnished a comprehensive report based upon the early experiences of German towns and those of Switzerland and Belgium. Count von Posadowsky, while Imperial Minister of the Interior and Vice-Chancellor, gave the question a considerable amount of personal attention, and, through his Statistician, assembled a large body of facts which, however, were never submitted to the Chancellor or the Emperor. It is thought that the plan which was entertained, but for financial reasons abandoned, contained provisions for compulsory contributions by workmen during employment, for enforced contributions by employers graduated according to wages and the character of the employment, and for proportionate assistance from the Imperial Treasury.

Of the industrial municipalities of Germany in which some form of unemployment insurance has been in operation the most important are Munich, Dresden, Cologne, Düsseldorf, Mayence, Strassburg, Leubech, Rostock, Karlsruhe, Elberfeld, Magdeburg, Cassel, Altenburg, Quedlinburg, Erlangen, and Wernigerde.*

Cologne.

In 1896 the Municipality of Cologne, then having a population of 460,000, started a fund to provide against the hardships arising from loss of work. In order to participate in the benefits, a worker was required to be 18 years of age, to have resided in the Cologne district

* *Scribner's Magazine*, vol. xlix, p. 116.

for at least a year, to have a definite occupation, and to have paid the proper contributions. The condition which requires that members should follow a definite occupation dates from 1903. The rates of contribution, which had been raised on three occasions, were, in 1911, 5½d. a week for skilled and 4½d. for unskilled workers. If the contribution of any member is four weeks in arrears, he loses his right to benefit. Where a member becomes unable to work, his contributions may be repaid, and should his death occur before he has acquired a right to benefit, his contributions may be paid out of the fund to his dependent relations. The fund has other sources of revenue than the contributions paid by members. Donations are received from patrons, viz., those who have donated at least £15. Subscriptions are taken from honorary members—those who subscribe at least 5s. a year. There are, in addition, the grants from the municipality and gifts other than those of patrons and honorary members.

To be entitled to benefit a member must have paid his contributions for a period of thirty-four weeks in a year. Benefit is only payable in respect of involuntary unemployment due to lack of work during the winter months, viz., between the 1st December and the 1st March. Where the unemployment is due to a strike or lock-out or sickness or other incapacity to work, no benefit is payable. The period during which benefit may be paid is limited to forty-eight days within any financial year. The rate is 2s. per day for the first twenty days and 1s. a day for the remainder of the period mentioned. The payment of benefit does not commence until the third day after unemployment has been duly notified. Where, in two successive years, a member has received three-fourths of the maximum benefit, viz., 51s., he is entitled to receive the 1s. a day for only fourteen days instead of twenty-eight.

The responsibility for the administration of the scheme is divided among three bodies, which act in conjunction with the burgomaster, who is a kind of mayor and town clerk combined. First, there is a committee consisting of twelve representatives of insured workmen—chosen by the insured—and the manager of the fund. This body has to assist in the details of administration. It has to decide, subject to the right of appeal to the committee of management, whether, in certain circumstances, contributions might be returned, and to determine whether the unemployment is of such a character as to entitle to benefit. Secondly, there is a committee of management comprising the head burgomaster, or his representative, the president of the labour exchange, twelve patrons or honorary members, of whom six must be employers, and twelve representatives of insured members. The third body, which has a large measure of control, is the general meeting at which the patrons, honorary and insured members, the burgomaster or his representative, and the president of the labour exchange may attend and vote. Upon the powers of this meeting, however, certain restrictions are imposed. No amendment of the regulations can be effected

except after a resolution carried at a special general meeting by two-thirds of the insured members, and two-thirds of the other persons entitled to vote, the two groups voting separately. Any amendment so agreed upon must, before it can operate, be approved by the president of the province. Furthermore, any proposals made by the general meeting, and, indeed, by the committee of management, are subject to the veto of the head burgomaster, against which an appeal lies to the president of the province.

The labour exchange is intimately associated with the operations of the fund, and an unemployed member must report there twice every day. At one time an unemployed member was required to accept whatever work he was offered by the exchange. Now, however, he need only accept that which is reasonable in kind and wage.

The solvency of the fund is secured by a rule to the effect that no more insurances must be accepted when the total possible maximum claim on the fund reaches a sum equivalent to two-thirds of the assets, including such municipal subsidy as may be due. The "total possible maximum claim" means the claim that would be made on the fund if all members were at the same time so situated as to be forced to claim the maximum benefit to which they might be entitled. This rule, which has been put into operation on several occasions, would appear to be restrictive of the development of the fund.*

Leipsic

A non-profit company, having for its object the insurance of workers against unemployment was founded in 1904 by a number of private persons. The company had a reserve of 100,000 marks, which was then equivalent, in English money, to £5,000. The Socialists, believing that enterprises of the kind only tended to compete and clash with the insurance activities of the trade-unions which were paying out large sums annually, offered a strenuous opposition to the scheme. In the face of the hostility shown by socialistic circles, the municipality deemed it expedient to refuse any financial aid.

The company divided its risks into four classes, and the members, who were covered by the insurance for the whole year, were required to pay weekly premiums equivalent to 3¾d., 5d., 6¼d., and 6½d. The payment of premiums for a period of forty-two weeks entitled the insured to receive benefits to the extent of, approximately, 1s. 3d. per day. No payment, however, was made for incapacity to work, or in the case of a strike or a refusal to accept employment.†

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* "Unemployment Insurance" (I. G. Gibbon), p. 46; and *Scribner's Magazine* vol. xlix, p. 116.

† *Scribner's Magazine*, vol. xlix, p. 116.

Strassburg.

The Municipal Government of the City of Strassburg co-operated with the local trade-unions, which made provision against the unemployment by adding 1s. per day to the benefit of 2s. paid by the union to each member. In certain cases where the benefits paid by a trade-union were lower than 2s. per day, the city reduced its subvention proportionately. This method of co-operation proved entirely satisfactory in the working, the settlement of accounts between the city insurance office and the various unions being made monthly. Here, as in many other cities, a close and active association existed between the insurance office and the labour exchange. Through co-operation with the unions which came within the scope of the scheme, the insurance office was able to obtain accurate information regarding every person who received insurance benefits, and was thus provided with a system of control against deception.*

Norway.

Prior to 1906 certain attempts had been made towards the establishment of schemes of self-insurance, but in that year the whole Scandinavian Peninsula was suffering from such a serious industrial depression as to necessitate desperate efforts to mitigate the evils of the consequent unemployment. A Commission being appointed to investigate the problem of relief, an exhaustive report was furnished containing recommendations which formed the basis of a law intended to develop systems of self-insurance among the principal trade-unions.

The statute, which was passed in 1906, provided for reimbursement by the State and the communes of one-fourth of all the benefits paid from unemployment funds organised in accordance with prescribed regulations. Only those employment funds were recognised which derived half their resources from the dues of their members. It was imperative that their treasuries should be independent of, and separate from, the trade-union funds, and devoted exclusively to the relief of unemployed members. Great importance was attached to the weight and influence of labour organisations, for it was realised that without their support there was faint hope of enlisting the sympathies of the wage-earners in the task of self-insurance. It was recognised, however, that non-union men were those most liable to unemployment, and it was desirable to make some arrangement that would give to this class the benefits of the scheme. It was accordingly provided that a "recognised fund" must admit to membership any man or woman exercising the trade in question, whether he was affiliated with the corresponding trade-union or not. For this undoubted advantage the non-union contributor had to pay, as a set-

* *Scribner's Magazine*, vol. xlix, p. 116.

off against the expenses met from the union treasury, a premium of 10 to 25 per cent. above that charged to union members. Considerable hostility was shown to the inclusion of non-union men, but the labour leaders ultimately determined to accept the assistance offered by the Government. The subvention had, in the meantime, been raised from one-fourth to one-third, and by 1914 nineteen unions had organised unemployment funds in accordance with the law. The recognition of the right of non-union men to relief proved to be of little significance in practice, for during six years' operations of the Act only one non-union man asserted this right. Since there are, in Norway, 75,000 unorganised labourers, who are, for the most part, unskilled, the problem of the insurance of unorganised labour appears to be as yet unsolved.

As to the terms upon which the benefits are payable, the law provides that unemployment must be involuntary, that is, it must not be caused by strike or lock-out, or by drunkenness or bad temper. The applicant must have failed to find suitable work after having reported at the nearest employment agency. If he is in receipt of aid from any other fund, he is ineligible for benefit. It is a condition precedent to the receipt of benefit that the applicant has paid his dues for twenty-six weeks. Benefit is not payable within the first three days after the claimant has announced himself as out of work, and the allowance is restricted to a period of ninety days in any one year. On these terms it was thought possible to make an average membership contribution of 7 kroner* (7s. 11d.) per year cover the normal amount of unemployment with an allowance equal to half the daily wage.

All benefits are paid from the unemployment fund direct, and not through the trade-union treasury. Each association furnishes its account to the municipal authorities, and these, in turn, to the Central Bureau, which is charged with the supervision of unemployment insurance. Every quarter the State reimburses the unemployment funds to the extent of one-third of their legitimate expenditure. Two-thirds of the sum is then recovered from the communes, each of which makes a payment in proportion to the number of beneficiaries resident within its area. In 1912 the benefits paid amounted to £8,144, and the Government subvention to £2,047. The number of men who, prior to the war, were contributing to recognised unemployment funds was only 27,000—not more than half of the unionists in Norway. There are five unions with a total membership of 1,681 men which have unemployment funds maintained independently of the Government subvention. Some unions still hold out in protest against the recognition of non-union men; others stand aloof because they regard the State subvention as insufficient, comparing it with the 50 or 60 per cent. payments made by Belgian cities.†

* The par value of a krone is 1s. 1¼d.

† *The Survey*, vol. xxxi, p. 742.

Denmark.

The fundamental principle of utilising the moral resources of organised labour, which distinguishes the Ghent plan, was adopted by Denmark in 1907. It was recognised that a systematic provision against unemployment was the most difficult form of insurance, and that it was expedient, for its successful promotion, to enlist the sympathy and support of trade-unions. During the period 1899 to 1907 the organised trades of Denmark had spent large sums in providing unemployment benefits to their members, and, lending all their influence to the support of the Bill offering State aid, no doubt they were largely responsible for the passage of the measure into law.

The regulation of unemployment insurance now rests mainly upon an Act of 1914, though certain amendments were made in 1919. The law of 1914 differs from the Norwegian legislation in several respects. It provides for a State subvention to "recognised unemployment funds" to the amount of one-third of the premiums paid by the members. The communes were urged to add one-sixth to the contributions of those members who reside within their areas. It is to be specially noted that the Government contribution is estimated on the basis of the premiums received, and not upon the benefits paid. The advantage of this is said to lie in the possibility of accumulating a reserve fund in good times to be held against the years of depression. The distinct legal entity of the unemployment fund must be preserved. Its treasury must be entirely independent of that of the trade-union with which it is connected. Any organisation receiving support must comply with the rules laid down, and afford the State Bureau of Inspection access to all its accounts. The Inspector-General, who presides over the Bureau, is required to convene an annual conference of the officials responsible for the administration of the funds. The Council of Unemployment, in which power is vested to determine all questions of policy, is constituted of six representatives of the unemployment officials, and the Inspector-General. Among the decisions of this body was that which laid down that a man would not be entitled to benefit until he attempted and failed to obtain work outside his own trade. An unemployed person must accept any kind of work for which he is competent, and he is not entitled to benefit unless no suitable work can be found for him. Benefits are payable to those who are deprived of work as the result of a strike, but only when they are in no way responsible. Similarly, men who, at the cessation of a strike or lock-out, cannot regain their former employment, may make a claim.

In 1914, 60 per cent. of the workmen, representing practically every unionist and socialist in Denmark, were insured. State-aided insurance does not apply to Government employees such as those serving on the railways and in post-offices, for they are not subject to the risk of unemployment. Agricultural labourers are also exempted from the scheme. Unskilled and casual workers are usually untouched by

schemes the operation of which involves the agency of trade-unions. As a rule they constitute a class of labour which is unorganised, and, consequently, are excluded from benefits administered through the unions. In Denmark, however, they have been able to secure the advantages of the State subvention through a powerful body which owes its existence to M. Lyndsie, an unskilled labourer possessing a remarkable talent for organisation.

There is a certain elasticity about the conditions attached to unemployment insurance. Within the limits prescribed by the law they may vary with each fund. The factors that determine the amount of dues payable and benefits receivable are the rate of wages in a particular trade, the degree of unemployment and the opportunities for finding work. The minimum amount of dues is paid by the unskilled worker, viz., 6s. per annum, while the maximum of 29s. is required of a worker in stucco. The benefit is 1s. 1½d., 1s. 8d., or 2s. 3d. per day according to the financial status of the fund. The period during which benefit may be paid also varies; it is 50 days a year in the case of unskilled labourers, and extends to 160 days for printers. Though the law of 1914 has been generally approved, it has been suggested that contributions of the communes should be made obligatory so that the State may be relieved of some portion of its burden. The justice of imposing such an obligation upon local bodies is obvious, for they reap the benefit of unemployment insurance in the form of a reduced expenditure upon the poor. The latest information available upon the subject of the Denmark scheme appears to indicate that the law has been so amended as to make the municipalities responsible for an amount equivalent to one-third of the sum contributed by members resident within their boundaries.*

Luxembourg.

Though the efforts of Luxembourg have been made upon an extremely modest scale, the total subsidies of the State and the municipality amounting, in the year 1909, to no more than £82, there are certain features about the method of treatment which, perhaps, make a brief account worth the while.

The municipality in 1903 appointed a commission to investigate and consider the question of providing assistance against unemployment. Consideration was given to the position of the unskilled workmen, as well as to the skilled. It was recommended that, for the former, a general insurance fund should be established, and assistance should be given the latter by the payment of subsidies to the unemployment funds of their unions. Though both proposals were adopted, certain difficulties arose which made it expedient to abandon the suggestion for a general insurance fund for the unskilled labourers. In the result the only form of assistance afforded was that by means of subsidies paid to the unions which provided unemployment insurance for their

* *The Survey*, vol. xxxi, p. 743; and the *Textile Mercury*, July 24, 1920, p. 77.

members. The municipal subsidy first paid in 1903 has been continued, though, later, the neighbouring communes made a contribution, and since 1905 the State itself has paid a subsidy.

Under the Ghent plan the whole amount of the grant in aid is based upon the benefits received by the members of the insurance fund. In Luxembourg, however, a third of the subsidy is paid according to the number of members in an association, a third according to the contributions, while the remaining third is based upon the benefits paid.*

The United Kingdom.

For more than a quarter of a century before the publication of the report of the Poor Law Commission in 1909, the best minds in England had been grappling earnestly, but ineffectually, with the question of unemployment. From the time that Joseph Chamberlain in 1886, as President of the Local Government Board, urged the town councils throughout the country to undertake municipal works wherever the shortage in the demand for labour had attained serious proportions, every form of public enterprise had been attempted. The building of roads and waterworks, the grading of parks and recreation grounds, potato-growing, the drainage of swamps, the re-afforestation of waste lands, and the construction of bulwarks against coast erosion, all these had been tried without achieving any satisfactory results. The work was not as well done as under ordinary business conditions, and it cost considerably more. Tramps and other undesirables came to look upon the town council as a permanent source of maintenance, while the more legitimately unemployed failed to receive adequate assistance. The conditions obtaining in the winter of 1904-1905 were such as to force the then Liberal-Unionist Government to put through the Unemployed Workmen's Act of 1905. This legislation still relied upon the provision of temporary work, though the distress committee constituted thereunder were to adopt other measures calculated to afford relief. Farm colonies were founded at home and assistance given to those desiring to emigrate abroad. Probably the most important feature of the Act was the recognition of the necessity for providing more normal avenues of employment implied in the direction to establish compulsory labour exchanges in every county and county borough. In the matter of diminishing unemployment, however, nothing was accomplished.

The problem of unemployment was, according to both the Majority and Minority Reports of the Poor Law Commission, one for which the elaborate machinery of the poor law provided no adequate solution. A minority of four commissioners urged that a nation-wide network of labour exchanges should be established to bring demand and supply into effective operation. The fact that there was a surplus of labour was recognised, and for the normal amount of unemployment that

* "Unemployment Insurance" (I. G. Gibbon), p. 149.

would inevitably occur, notwithstanding all legislative precautions, the Majority and Minority Reports recommended assisted insurance. The method of insurance which the Commissioners favoured was that which, operating through the medium of trade-unions, had been successful in Ghent and other European cities. It was considered that a scheme to which the worker had himself contributed, and which was administered by an association of which he was a member would be the most satisfactory method of providing maintenance for him during out-of-work periods. The opinion was held that under such a scheme the worker would lose neither his self-respect nor his determination to find employment at the first opportunity.

The first step taken in the direction of a comprehensive scheme to regulate, control, and provide for unemployment was the passing of the Labour Exchanges Act of 1909. This enactment provided for the establishment of compulsory labour exchanges under the supervision of the Board of Trade. The importance of labour exchanges in relation to a system of compulsory unemployment insurance justifies some special reference to them. Mr. Winston Churchill, then President of the Board of Trade, in a speech in the House of Commons on 19th May, 1909, said:

> "Labour Exchanges are indispensable to any system of unemployment insurance, or, indeed, I think, to any other honourable method of relieving unemployment, since it is not possible to make the distinction between the vagrant and the loafer, on the one hand, and the *bona-fide* workman, on the other, except in conjunction with some elaborate and effective system of testing willingness to work, such as is afforded by the system of labour exchanges."

In addition to providing a test of genuine unemployment, a system of labour exchanges closely co-operating with a scheme of insurance must tend to reduce the search for work, and lessen the drain upon the funds. It was early recognised by the British Government that the development of labour exchanges and unemployment insurance, as two complementary systems, mutually sustaining each other, was essential to a complete organisation of the labour market. That for two years the labour exchanges were successful independently of any scheme of insurance cannot be gainsaid. The period referred to, however, was a time of great trade activity, and the success was undoubtedly due to the abnormal demand for labour causing employers to avail themselves of any new source of supply. The smooth working of unemployment insurance in Great Britain, as well as its popularity, is largely attributable to its intimate connection with the labour exchanges. Experience has shown that the registration of unemployed, and the payment of benefit at the labour exchanges has the effect of minimising fraudulent claims and of promoting active search for work during the period of unemployment.

Owing to the fact that many municipal employment bureaux set up under the Unemployed Workmen's Act, 1905, were closed, and others had become mere appendages of relief by the time the national system was established, it is impossible, by statistical comparison to arrive at any conclusions as to the effect of unemployment insurance upon the work of the labour exchanges. The operations of the exchanges, however, in spite of great fluctuations in the demand, steadily increased, not only in regard to the insured, but also in regard to the uninsured workers. As regards the insured trades, the increased use of the labour exchanges by employers was no doubt due to their attention being called to the existence of such institutions every time they engaged or dismissed an employee. Although the prevailing scarcity of labour during the greater part of the period 1913-1915 may, to some extent, account for the increase of operations connected with the uninsured trades, it is evidence also that employers in such trades had come to regard the exchanges as valuable agencies for the supply of every class and grade of labour.

The Law and Administration Prior to the 1920 *Act.*

The National Insurance Act of 1911* may be said to represent the second great effort of the United Kingdom to deal with unemployment as an industrial problem. The Imperial Parliament was the first legislature, since the unfortunate experience of St. Gall, to give its approval to a scheme of compulsory State insurance. The enactment which came into operation in July, 1912, aimed at providing against involuntary unemployment in a limited number of occupations, through a system of insurance to which the workers, the employers, and the State were required to contribute. For the adoption of the principle of compulsion the failure of voluntary Continental systems to protect the majority of workers from the risk of unemployment was mainly responsible. In Cologne a great effort resulted in about 1,800 workmen being insured out of a population of 200,000 or 300,000. Mr. Lloyd George returned to England after an examination of some of the European schemes firmly convinced that certain conditions were essential to success. He formed the opinion that a trade basis, as opposed to a municipal basis, was necessary, because fluctuations were according to trades, that a start must be made with the trades most subject to unemployment, and that the scheme must be compulsory.†

The 1911 Act compelled all manual workers to insure who were over 16 years of age and engaged in building, construction of works, shipbuilding, mechanical engineering, iron-founding, construction of vehicles, and saw-milling.‡ By an amending Act of 1915 the compulsory provisions were extended, for a period limited to one year

* 1 & 2 Geo. 5, c. 55.
† Speech in the House of Commons on May 4, 1911.
‡ 1 & 2 Geo. 5 c. 55, s. 85, and Sched. VII.

from the termination of war, to workers in these trades who were engaged upon war work abroad.* A further extension was effected by the National Insurance (Munition Workers) Act of 1916, by bringing within the scope of the scheme all workmen engaged upon the manufacture of war material, ammunition and explosives, chemicals, soap, candles, paints, &c., metal and metal goods, rubber and rubber goods, leather and leather goods, bricks, cement, and other artificial building materials, and wooden cases.† Power was also conferred upon the Board of Trade to still further extend the list of insured trades by the inclusion of others substantially engaged upon war work.‡ The period during which the extensions under the law of 1916 were to operate was to be decided by the Board of Trade, but it was not to exceed three years from the end of the war, or five years from 4th September, 1916, whichever was the longer, plus a minimum of six months for the receipt of benefits after the payment of contributions had ceased.§

Both under the original Act and its subsequent extensions, employers and employees were each required to contribute 2½d. per week, with a lower rate for workers under 18 years.‖ Payments were made by affixing stamps to an insurance card. The employer was responsible for the contributions of his employee, and was entitled to deduct the same from his wage.¶ The State was required to add to the fund an amount equal to one-third of the total contributions of employers and employees.** The uniform contribution was adopted because of the absence of actual data upon which to base a graduated scale of payment according to risks in each industry, the age or the wage of each worker.

Benefit was fixed at a rate of 7s. a week. No benefit was payable to a workman under 17 years of age, and those between 17 and 18 only received half the amount mentioned.†† By an amending Act of 1919, the benefit was raised to 11s. per week.‡‡ Under the original Act, in order to qualify for benefit, the worker had to show that he had been employed in an insured trade for twenty-six weeks during the preceding five years.§§ Non-union men found this requirement specially difficult to comply with, and 36 per cent. of the disallowances during the first year were attributed to the failure to furnish acceptable evidence. An amending Act of 1914, however, remedied the position. Thereafter proof of the payment of ten contributions was sufficient.‖‖ It was also necessary that the insured worker should have duly applied for benefit, and had been continuously unemployed from the time of making the application. Benefit was not payable in respect of unemployment caused by strike or lock-out, or where there was a refusal to accept suitable work.¶¶

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* 5 George 5, c. 27, s. 1. † 6 & 7 Geo. 5, c. 20, s. 1, and Sched. I.
‡ *Ibid.* s. 2. § *Ibid.* ss. 3 and 5. ‖ 1 & 2 George 5, c. 55, s. 85, and Sched. VIII.
¶ *Ibid.* s. 85 (3). ** *Ibid.* s. 85 (6). †† *Ibid.* s. 84, Sched. VII.
‡‡ 9 & 10 Geo. 5, c. 77, s. 1. §§ 1 & 2 Geo. 5, c. 55, s. 86.
‖‖ 4 & 5 George 5, c. 57, s. 1. ¶¶ 1 & 2 Geo. 5, c. 55, ss. 86 (3) and 87.

During the year January, 1913, to January, 1914, disqualifications because of trade disputes were responsible for over 17 per cent. of the refusals to grant benefit. The unions were unable to get a general ruling from the umpire as to what constituted a trade dispute, and this fact, together with certain disagreements as to what constituted a strike or lockout, created considerable dissatisfaction in regard to the administration. The Act was construed so as to debar a man from benefit when thrown out of a job by a strike at his works, even though his department was unemployed only because of the absence of other men.

The decision as to whether or not a particular job is suitable is one of some difficulty, involving as it does a thorough knowledge and understanding of the conditions of work which might be properly refused. The Act, however, laid down certain fundamental considerations that furnished a useful guide. A man was not to be regarded as having refused suitable work if he declined a job which had become vacant owing to a strike, or if, in his own locality, he was accustomed to obtain more favourable wages and conditions, or if the wages and conditions offered in another district were not those which usually obtained there. The union rate of wages came to be the accepted standard in districts which were well organised, while wages paid by the more generous employers was the recognised rate for other localities. A person who was discharged for misconduct, or left his employment without due cause, was excluded from benefit for six weeks.* In order to ascertain the existence of facts that would disqualify a man for benefit, it was the practice to send a formal inquiry to the last employer. In the absence of a reply and of any suspicious circumstances, the claim was assumed to be valid. The nature of the replies received from employers have been responsible for probably 10 to 15 per cent. of the claims being questioned. Unionists have felt that a provision should have been made for the imposition of a penalty upon employers for misstatements, since a man may be unjustly deprived of benefit through the statement of a prejudiced foreman.

In no case was benefit paid during the first week of unemployment,† and this "waiting week" covered 29 per cent. of the unemployment recorded within the first six months during which benefits were paid. Benefit was limited to one week for every five weeks' contributions made, and to a total of fifteen weeks in any one year.‡

A trade-union, or, more precisely, an "association of workmen," in an insured trade, might, through an arrangement with the Board of Trade, be reimbursed by the State to the extent of three-fourths of the sum paid out by it in the form of unemployment benefits, provided the benefits were greater than the statutory benefit by one-third.§

* 1 & 2 Geo. 5, c. 55, s. 87 (2).
† *Ibid.*, Sched. VII.
‡ *Ibid.*, Sched. VII.
§ *Ibid.*, s. 105 and 4 & 5 Geo. 5, c. 57, s. 13 (1).

After amendment the law provided for voluntary inclusion in the compulsory scheme, and upon this a word of explanation is, perhaps, desirable. The Act of 1916 permitted workers, who were not covered by the compulsory section, to come into the scheme at their own request, provided they had the consent of their employers, and they were engaged in establishments where some workmen were compulsorily insured, either as war workers or members of the insured trades.* In the original Act the voluntary insurance of workmen in the trades not coming within the scope of the compulsory provisions was to be encouraged by the gift of a bonus of one-sixth of the benefits, not exceeding 17s., paid by their unions.† In order to obtain this subsidy all that a union had to do was to certify that unemployment was not due to a trade dispute. The ease with which payment was obtained by the unions, and the fact that many claims were paid without detailed evidence as to their accuracy, resulted in dissatisfaction at the Treasury and the ultimate withdrawal of the subsidy in 1916.

There were several important provisions in the original Act which were designed to encourage greater regularity of work and the diminution of seasonal employment. One of these required a minimum contribution of 1d. by each employer and each workman for each separate period of employment of not more than one day. Similarly, for every period of two days' employment the contribution of each employer and workman was fixed at 2d.‡ In the case of longer periods, the weekly rate of 2½d. applied. This provision was the means of encouraging employers to retain as many of their workmen as possible on a weekly wage instead of hiring them each day. So far as concerned the building trade, the effect was to practically decasualise work in some cities. Apart from regularising employment there is another virtue in this provision. It would appear to automatically effect a more equitable relationship between the premium and the risk insured against, for the casual worker who is more liable to suffer from changes in the labour demand is required to contribute more for his insurance, and so has his employer for the privilege of engaging that type of labour. Another provision entitled the employer to a refund of a sum equivalent to fifteen contributions for each insured worker who had been continuously employed throughout the insurance year, and on whose behalf he had paid forty-five weekly contributions during the same period.§ Furthermore, if an employer could satisfy the Board of Trade that during a period of depression his workmen had been systematically working short time, and that he had paid, in addition to his own, the necessary contributions of the workmen without deducting them from the wages, or in any way recovering the same, he became entitled to a refund of such contributions.‖

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* 6 & 7 Geo. 5, c. 20, s. 2 (2). † 1 & 2 Geo. 5, c. 55, s. 106.
‡ 1 & 2 Geo. 5, c. 55, Sched. VIII. § 1 & 2, Geo. 5, c. 55, s. 94. ‖ *Ibid.*, s. 96.

Again, there was a provision which aimed at mitigating the evils of intermittent employment by inducing employers of the same class of casual labour to obtain it from the same source of supply, where selection could be made with the object of concentrating the total amount of available work upon as few as possible, so as to minimise the margin of workers partially employed in the industry. Arrangements could be made whereby the duty of the employer to keep and stamp insurance books and pay contributions would be undertaken by the labour exchange, and whereby the contributions would be paid not for every separate employment period of each individual employee, but for different employment periods of the same or different workmen engaged during the same week treated as a single continuous period of employment of one person.* So far as the obligations of the workman were concerned, it appears that if he were employed several times in the one week by one employer he would only be required to pay one contribution for the several work periods taken together. In practice the labour exchange took care that the employment of the men was as continuous as possible, and that employers were furnished, as far as practicable, with the same individual employees.

Inability to secure employment is, in a large proportion of cases, due to personal incapacity, or deficiency. Numbers of workers prove to be quite incapable of performing the work for which they are engaged, and in such cases there is a substantial difficulty in placing them in occupations for which they are suited. These persons, who constitute bad risks, cannot, while they do find occasional employment at an insured trade, be omitted from the scheme. Accordingly, several provisions were inserted in the original Act to reduce the risk attaching to such cases. The insurance officer was empowered to subject a claimant for benefit to a test of skill and knowledge whenever a lack of these might account for his repeated failure to obtain or retain employment. Whenever the test revealed, in any such claimant, an inaptitude for the desired occupation, it followed that a modification had to be made in the idea of what was, for him, a "suitable" occupation. If it appeared that his skill and knowledge could be improved by instruction, technical training could be provided at the expense of the fund if the result were likely to lead to a diminished drain upon the fund.†

For the settlement of the many differences of opinion that were sure to arise in regard to rights under the Act, provision was made to constitute courts of referees in the various districts into which the country was divided. If the insurance officer attached to a particular district authorised a claim he thereupon notified the local exchange at which it originated. If the decision was against the workman, the latter had a right of appeal to a court of referees consisting of a

* 1 & 2, Geo. 5, c. 55. s. 99.
† *Ibid.* s. 100.

salaried chairman appointed by the Board of Trade and a representative of the workers as well as of the employers, drawn from a panel constituted as prescribed.* If the decision of the insurance officer was confirmed by this body, there was an end of the matter. On the other hand, if the court disagreed with the insurance officer, he was permitted to appeal to the umpire, whose decision was final.†

For the purpose of administration, the United Kingdom was divided into eight divisions, each of which dealt with the claims in its district. The labour exchanges received all claims, in the first instance, and, when it failed to place the applicant in work, notified the divisional office. Upon this office devolved the duty of investigating the claims and authorising the payments, the local exchange being ultimately advised whether or not benefit was payable.‡

Out-of-work Donation.

The existence of a national unemployment scheme opened the way for dealing with the serious industrial position that threatened the country upon the termination of the war. In December, 1915, Lord Newton announced in the House of Lords that it had been decided to grant out-of-work donation to members of H.M. Forces during a period of twelve months after discharge, though the actual rate was not determined until shortly before the Armistice. In October, 1918, when a cessation of hostilities seemed imminent, the necessity for some form of State assistance applicable to civilians as well as to demobilised soldiers became apparent. Three and three-quarter millions of workers were covered by the compulsory sections of the Unemployment Insurance Acts, 1911 to 1918, and perhaps another million and a half were provided for by voluntary insurance through trade-unions. It was estimated that no provision existed for more than half the occupied population, of which a great many were as liable to unemployment as those who were insured. The benefit under the existing scheme was deemed quite inadequate to meet the new conditions, even if time permitted of putting into effect the proposals for an extension of contributory insurance. Owing to the dislocation that must follow the relaxation of war effort, upon which every industry had become more or less dependent, there was a pressing need for prompt action. It was accordingly decided to make a free grant of out-of-work donation for a limited period, which, in the case of civilians was originally fixed at thirteen weeks. The scheme came into operation on the 25th November, 1918. The rates were originally 24s. per week in the case of men, and 20s. for women, with supplementary allowances for dependent children. Boys and girls between the ages of 15 and 18 received half the amounts mentioned. An increase of 5s. for men and women and 2s. 6d. for boys and girls dated from the 12th December,

* 1 & 2, Geo. 5, c. 55, s. 90. † *Ibid.* s. 88 (a).

‡ *Bulletin of the U.S. Labour Statistics Bureau* (Workmen's Compensation Series), vol. x, pp. 860 and 874.

1918. When later, however, an extension was made beyond the period mentioned, the rates were reduced to 20s. for men and 15s. for women. The allowances for dependent children, viz., 6s. for the first child and 3s. for each additional child, remained unaltered.

Demobilised soldiers below commissioned rank who had given actual service with His Majesty's Forces during the war were eligible for an out-of-work donation policy. Mobile members of the Women's Corps, except officers and officials, were also eligible, provided they had enrolled, for the duration of the war, under one of the fighting services.

Civilian workers were eligible for a policy, in the first instance, if they had been employed contributors under the Health Insurance Scheme before 25th August, 1918, or if, being between 15 and 16, or over 70, they could give other proof of employment before that date. If a person was insured under the Health Insurance Scheme it was regarded as reasonable evidence that he was a wage-earner.* Later it was provided that donation should not be extended beyond the period of thirteen weeks, to which it was at first limited, unless the local employment committee was satisfied that the applicant was normally in employment, was genuinely seeking work, and was unable to obtain it.†

The conditions and disqualifications for donation were practically the same as those set out under the Unemployment Insurance Acts, 1911 to 1918, excepting that no contributions were required, and the rules relating to the "waiting period" were modified. Unemployment had to be proved, and the usual method was to attend daily at labour exchanges and sign the policy. The applicant must be capable of work, but unable to obtain it. The rejection of an offer of suitable work was a disqualification. Any question of refusing or stopping donation was referred to a court of referees‡ from which there was an appeal to the umpire, "an independent officer appointed by the Crown."§

On the 7th February, 1919, there were 734,000 unemployed in receipt of out-of-work donations, and it soon became apparent that a non-contributory scheme of insurance against unemployment would impose upon the State a financial burden which could not be endured. About eight months before the Armistice a sub-committee on unemployment insurance had condemned any attempt to solve the problem of unemployment by State doles. The same committee had then expressed the opinion that the only satisfactory and adequate method of dealing with the problem was by a scheme of general insurance covering the whole field of unemployment.‖ In view of the fact that

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* **Minutes of Evidence taken before the Committee of Inquiry into the Scheme of the Out-of-work Donation (Cmd. 407), pp. 1-2.**

† *Ibid.* p. 9.

‡ *Ibid.* p. 5.

§ *Ibid.* p. 7.

‖ *The Survey*, May, 10, 1919.

the experience of the out-of-work donation had been far from encouraging, and that many of the prophecies as to its demoralising influence on the people had been fulfilled, a new measure was drafted to provide a comprehensive scheme of contributory insurance, and introduced in the House of Commons on the 23rd December, 1919.*

Some Considerations which Affected the Preparation of the New S heme.†

The need for increased production to recover the industrial ground lost during the war was a strong motive for providing a scheme of unemployment insurance of a much wider scope than that which was already in existence. There were many people who believed that the more they produced the less would be the demand, and, conversely, the less they did, the more work would be available. The fear of unemployment was a fact which had to be faced, and it was thought that the best way of completely eradicating it from the minds of the work-people was to give an assurance that when the day of unemployment came they would not be allowed to drop in the lurch. The 1911 Act which dealt with a selected number of industries was to some extent experimental. The conditions which obtained practically throughout the period of its operation were so abnormal that the experience gained was of very little value upon which to base a new scheme or build up any great theory. In the beginning it was actuarially estimated that the percentage of unemployment which had to be reckoned with was something like 8·6. As a matter of fact, before the war the percentage only worked out at 4. At the commencement of war unemployment fell to 3 per cent., and at the end it was less than 1 per cent. It had become obvious, however, that there was a need for a much more widely extended scheme of insurance against unemployment than that which was in existence. Out of all the work-people in England only 3,750,000 came within the existing scheme. The proposal was to bring the number insured up to 12,000,000. Though this was a considerable advance upon anything that had been done before, it was thought expedient to exclude two industries. Workers in agriculture and domestic service were in particularly good position with regard to employment. In those industries unemployment had always been much lower than in the others. Consequently agricultural workers and domestic servants were unwilling to contribute to a scheme designed to protect persons from something which, in their case, was practically non-existent.

If insurance was to be practically universal amongst all the trades, the question arose whether each industry should not carry the burden of its own unemployed. It was asked whether it would not be advisable to empower the employers and employees of each industry to make rules and arrangements for conduct of their own particular schemes. If left to themselves they could, for the prevention of

* *Parliamentary Debates*, 1919, vol. 123. No. 163, p. 493.

† A Bill was duly passed through both Houses of the Legislature, received the Royal Assent on the 9th August, 1920, and came into operation on the 8th November, 1920, as 10 & 11, Geo. 5, c. 30.

unemployment, adopt devices which might be impossible under a State scheme. Short time could be worked, and certain risks assumed by adopting their own methods of organisation.

The other view was in favour of including all industries as one. It is common knowledge that all trades act and react upon each other: a strike in one industry causes unemployment in another. Trades are so interdependent and so interlocked one with another that it is no easy matter to lay down a rigid line of demarcation between them.

Between the recognition of the solidarity of all industries and the opinion that each should be allowed to formulate and control a scheme of its own there was a conflict. The most satisfactory way out of this conflict appeared to be a provision that industries which felt that they might do better for themselves could contract out of the general scheme. It was considered, however, the contracting out must be such as would cover a genuine industry—an industry as a whole. It would have to apply to small groups and special sections of an industry, for these would not be able to provide a scheme for themselves. Among the industries that would doubtless take advantage of such a provision would be some that preferred to support their own unemployed because they reckoned the risk of unemployment in their case as falling below the general average. It was accordingly realised that the effect of the right of contracting out would be to leave in the general scheme those industries which were most subject to unemployment, and which, consequently, were composed of the worst risks for insurance. In view of this it became necessary to discriminate in the matter of State aid between the industries which elected to contract out, and those which decided to remain in the general scheme.

Another question of importance was that involved in the transfer of a man from one industry to another. Provided a man had genuinely taken up work in another industry he was to be allowed to take his insurance to that other industry.

In certain industries affected by special vicissitudes it might be desirable that provision should be made for supplementary insurance. The building trade, for instance, should, if it so desired, have the right to make provision against the recurrence of wet days.

As before mentioned, under the Act of 1911, a provision existed which was intended to induce an employer to keep his men employed as continuously as possible throughout the year. Every employer who had paid, during the year, forty-five contributions in respect of an employee became entitled to a grant of 3s. The amount turned out to be no real inducement. A sum amounting to £118,000 had been paid out in this way for the purpose of regularising employment, and no satisfactory result was achieved. To continue this provision was, therefore, considered most undesirable.*

* See speech by Sir Robert Horne, Minister of Labour, *Parliamentary Debates*, House of Commons, vol. 125, No. 12 (1920), p. 1727-1741.

Provisions of the Unemployment Insurance Act, 1920.

Persons Required to Insure.—All persons of the age of 16 years and over are required to insure against unemployment, provided they are engaged in employment (not being an excepted employment) in the United Kingdom under any contract of service or apprenticeship. An apprentice, however, who does not receive a money payment is not compelled to insure. Where the owner or managing owner of a British ship resides, or has his principal place of business in the United Kingdom, the master of such ship, or any member of the crew thereof is within the Act, and so also is a person employed under any local or other public authority not covered by a special order of exemption.* The more important excepted employments are those in agriculture, including horticulture and forestry, in domestic service, and in the naval, military, or air service of the Crown. In certain cases, such as employment under public authorities and public utility companies, or where the persons are entitled to right in a superannuation fund, there is no necessity to insure if the Minister certifies that the employed person is not subject to dismissal except for misconduct, &c.† There is, however, a power vested in the Minister to extend the compulsory provisions of the Act to any of the excepted employments.‡

Exemptions.—Though engaged in an employment in respect of which insurance is required, a person is entitled to exemption provided he can prove that he is in receipt of a pension or income of the value of at least £26 per annum, otherwise than from personal exertion, or that he is ordinarily and mainly dependent upon some other person, or in certain other cases.§

Contributions.—The necessary funds are derived partly from contributions by employed persons, partly from contributions by employers, and partly from moneys provided by the State.

The rates of contributions by employed persons and employers are as follows:—‖

Ordinary Rates.

	Per week.
From an employed man	.. 4d.
From an employed woman	.. 3d.
From the employer for each man employed ..	.. 4d.
From the employer for each woman employed ..	.. 3½d.

Rates in Case of Employees under 18.

	Per week.
From an employed boy	.. 2d.
From an employed girl	.. 1½d.
From the employer for each boy employed ..	.. 2d.
From the employer for each girl employed ..	.. 2d.

* 10 & 11 Geo. 5, c. 30, s. 1, Sched. I, Part I.

† 10 & 11 Geo 5, c. 30, Sched. I, Part II.

‡ 10 & 11 Geo. 5, c. 30, s. 4. § *Ibid.* s. 3.

‖ For temporary rates of contribution as provided by the Amending Act of 1921, see p. 57.

The contributions out of moneys provided by the State may be set out as under:—*

Ordinary Rates.

For every weekly contribution paid in respect of a man	2d.
For every weekly contribution paid in respect of a woman	1⅔d.
For every weekly contribution paid in respect of a boy	1⅓d.
For every weekly contribution paid in respect of a girl	1d.

Rates in Case of Exempted Persons.

For every contribution paid in respect of a man ..	1d.
For every contribution paid in respect of a woman ..	⅚d.
For every contribution paid in respect of a boy ..	⅔d.
For every contribution paid in respect of a girl ..	½d.†

Except where otherwise provided by regulations the employer is responsible for the contributions of his employees, from whom he is entitled to recover by deducting the same from his wages or otherwise. Deductions, however, may be made only from wages paid for the period in respect of which the contribution is payable. Where the contributions are not recoverable by means of deductions from wages, they may be recovered summarily as a civil debt, but proceedings must be instituted within three months. Where an employee does not receive wages or any money payments from his employer, or any other person, the employer, though liable for the proper contributions, is not entitled to recover any part from the employee. Notwithstanding any contract to the contrary, the employer is not entitled to recover his contribution by deducting it from the wages of his employee or in any other way.‡ Employers' contributions are payable in respect of exempted employees in the same way as upon employees who are insured, but the corresponding contributions of the State are according to the special scale set out above.§

Regulations may be made in respect of the payment of contributions generally and particularly for payments by means of adhesive or other unemployment stamps affixed to or impressed upon unemployment books or cards, for the entry, in books or upon cards, of particulars of contributions and benefit paid, and for the issue, sale, custody, production, and delivery up of unemployment books or cards, and the replacement of those lost, destroyed, or defaced.‖

Benefits.—Benefits under the Act are payable at the rate of 15s. per week for men, and 12s. per week for women, while persons under the age of 18 are entitled to only half these rates. Such benefits are in respect of any continuous period of unemployment after the first three days of unemployment, and the period of unemployment is not deemed to commence until application for benefit has been duly made.

* See, as to temporary provisions, 11 Geo. 5, c. 1, s. 2, which requires the State to provide one-fourth of the joint contributions of employer and employee.

† 10 & 11 Geo. 5, c. 30, s. 5 (1), (2), (3), and Sched. III.

‡ 10 & 11 Geo. 5, c. 30, s. 5 (4), and Sched. IV.

§ *Ibid.*, s. 5 (7).

‖ *Ibid.*, s. 6.

Benefit is limited to fifteen weeks in any insurance year, and may not be paid in respect of any period of less than one day. Not more than one week's benefit may be received for every six contributions paid. Power is conferred upon the Minister to prescribe, within specified limits, other rates and periods of unemployment benefit, and to alter the proportion which benefit bears to the number of contributions paid.*

A number of statutory conditions are attached to the receipt of unemployment benefits. The insured contributor must prove that at least twelve contributions have been paid in respect of him; that he has duly applied for benefit, and has been continuously unemployed since the date of application; that he is capable of work, but unable to obtain suitable employment; that he has not exhausted his right to benefit; that, where he has been so required by an insurance officer, he has attended a course of approved instruction. He cannot, however, be required to accept an offer of employment in a situation vacant in consequence of a stoppage of work due to a trade dispute. Neither is he obliged to take work in a district where he was ordinarily employed if the wages are lower or conditions less favourable than those habitually obtained by him in that district. Similarly, he need not take a job in any other district if the wages are lower or conditions less favourable than those generally observed or recognised in that district.† Except in certain cases a person is not deemed to be unemployed on any day on which he is following an occupation from which he derives any remuneration or profit.‡ Two periods of unemployment of not less than two days each are treated as a continuous period of unemployment if they are separated by a period of not more than two days, during which the insured has not been employed for more than twenty-four hours. Similarly, two periods of unemployment, of not less than three days each, are regarded as a continuous period of unemployment if separated by an interval of not more than six weeks.§

Loss of employment arising from a stoppage of work due to a trade dispute at the workshop at which he was employed, disqualifies the insured for the receipt of benefit so long as the stoppage continues. But if during the stoppage of work he becomes *bona fide* employed elsewhere in his usual occupation, or regularly engaged in some other occupation, he is not debarred from benefit.‖ An employee who loses his job through misconduct, or who voluntarily leaves his employment without just cause is temporarily disqualified.**

Determination of Questions, Claims, &c.—It is provided that the Minister of Labour shall decide certain questions that may arise, subject to the right of appeal by any aggrieved person, to the High Court, and the right of a reference, by the Minister himself, to the same tribunal. The questions contemplated are those which arise from

* 10 & 11 Geo. 5, c. 30, s. 2 and Sched. II; but as to temporary provisions, see now 11 Geo. 5, c. 1, s. 1, (p. 56). As to extension of period of benefit, see *post* (p. 57). † *Ibid.*, s. 7 (1). ‡ *Ibid.*, s. 7 (2) (*a*).
§ *Ibid.*, s. 7 (2) (*b*). ‖ *Ibid.*, s. 8 (1). ** *Ibid.* s. 8 (2).

doubts as to whether a particular employment or employee is within the Act, whether a special or supplementary scheme under the Act applies to a particular person or class of persons, as to the employer of any employee, or as to the rate of contributions properly payable under the Act.*

All claims for unemployment benefit, and all questions as to the fulfilment of statutory conditions by persons claiming such benefit are to be determined by an insurance officer. The decision of the insurance officer must, so far as is practicable, be given within fourteen days. Where benefit is refused or stopped, or is not in accordance with the amount claimed, the person claiming may require the insurance officer to report the matter to a court of referees, which, after consideration, is required to make such recommendations as it thinks proper. If the insurance officer disagrees with any such recommendation he may be required to refer the matter to the umpire, whose decision is final and conclusive.†

The court of referees, referred to above, is constituted of a chairman appointed by the Minister of Labour, and one or more members chosen to represent employers, with an equal number of members chosen to represent insured contributors. The members of the court who are to represent employers and insured contributors are selected from panels constituted by the Minister for such districts and trades and groups of trades as he may think fit.‡

The Fund.—An unemployment insurance fund is established, into which all contributions, whether of employers, employees, or of the State, are paid. All claims for benefit are payable out of this fund. Provisions are made for auditing the accounts of the fund, and for the investment of the moneys in authorised securities.§

Should the fund appear, at any time, to be in danger of becoming insolvent, the Minister must, upon the direction of the Treasury, order such a modification of the rates of contributions or the rates or periods of benefits as will be sufficient to secure the solvency of the fund. No such order, however, may reduce the benefit below 13s. per week for men, and 10s. per week for women. It is also provided that the rates of contribution shall not be increased by more than 1d. per person per week for either employer or employee, or be increased unequally as between employers and employees.‖

After the expiration of fixed periods a revision of the rates of contribution may, in certain events, be made. Such a revision, however, may not increase the rates by more than 1d. above those already prescribed, nor vary them unequally as between the employers and employees.**

Arrangements.—Arrangements may be made by the Minister with any society or association, the rules of which provide for unemployment benefits to its members, so that instead of paying to its individual

* 10 & 11 Geo. 5, c. 30, s. 10. † *Ibid.* s. 11; and see s. 12. ‡ *Ibid.* s. 13.
§ *Ibid.* s. 14. ‖ *Ibid.* s. 15. ** *Ibid.* s. 16.

members the benefits to which they are entitled under the Act, periodical payments in the aggregate shall be made from the fund to the society or association. No such arrangements, however, can be made unless the society or association has a system which, in the opinion of the Minister, is effective for obtaining and notifying to its members particulars of suitable vacancies. Subject to certain limitations and conditions, a contribution may be made towards the administrative expenses of societies or associations with which such an arrangement has been effected.*

Special Schemes.—A most important provision is that which enables an industry, providing a special scheme of its own, to contract out of the general scheme of insurance established under the Act. Such a scheme, when approved, has statutory effect. In order to secure the approval of the Minister, the scheme must provide for the insurance against unemployment of all employed persons in the industry, or all those persons, other than any specified classes thereof, and for benefits not less favourable than those provided by the Act. Provision may also be made for insurance against partial unemployment. Where in respect of an industry no special scheme has been made by a joint industrial council or association of employers and employees, the Minister may, upon his own initiative, make such a scheme after consulting with the joint industrial council and representatives of interested employers and employees. Where a special scheme is in operation in any industry, the employed persons to whom it applies are not liable to be insured under the general scheme, nor are they entitled to unemployment benefits thereunder. To the body charged with the administration of a special scheme a sum is to be paid by the State, not exceeding three-tenths of the amount which would have been contributed by the State under the general provisions if the scheme had not been in force. Where special schemes come into force before the 4th July, 1921, the bodies charged with their administration shall receive a sum equivalent to contributions of employers and employees paid into the fund for the period between the commencement of the Act and the date of their coming into force, together with a State grant for the same period, less benefits paid and a proportionate cost of administering the general provisions.† Power is given to the Minister to make regulations with respect to the transition from the general provisions of the Act to special schemes, and *vice versa*.‡

Supplementary Schemes.—The Minister has power to approve of any supplementary scheme submitted by a joint industrial council or association of employers and employees. The purpose of such a scheme is to provide for insurance of the insured contributors in any industry against unemployment during periods for which no benefit is payable under the general scheme, *e.g.*, during the "waiting period" of three

* 10 & 11 Geo. 5, c. 30, s. 17. † *Ibid.* s. 18.
‡ *Ibid.* s. 19.

days. Another purpose is to provide against partial unemployment, or for the payment of additional benefits. It is provided, in the case of a supplementary scheme, that the fund shall not derive any moneys from the State.*

Miscellaneous.—Where a person shows to the satisfaction of the Minister that he has contributed to the fund for "the required number of weeks" and that he reached the age of 60, he is entitled to a refund of the amount by which the total number of contributions exceeded the benefits received by him, plus compound interest at the rate of 2½ per cent. In the case of a person entitled to such a refund dying without having obtained it, payment may be made to his personal representative.†

Power is conferred upon inspectors to enter any premises where there is reasonable ground for supposing that persons are employed, to make any inquiry necessary for ascertaining whether the provisions of the Act are being complied with, and to examine any person found on such premises, and require him to sign a declaration as to the truth of the matters in respect of which he is examined.‡

A sum may be paid out of the fund to enable a person to travel to a place where employment has been found for him, but if the person fails, without reasonable excuse, to enter upon the employment, the amount may be recovered from him or deducted from future benefits.§

The Minister has under particular sections and schedules of the Act, wide powers in respect of the making of regulations. In addition to these, he may make regulations in respect of a number of matters set out in section 35.‖

Subsequent Legislation.

Under the Act of 1920, referred to above, the payment of benefit is limited to fifteen weeks, or such other period as may be prescribed, but it is provided that there must not be paid more than one week's benefit for every six contributions received. There is, however, a provision¶ to the effect that, during a period of twelve months from the commencement of the Act, every person for whom at least four contributions have been paid shall be entitled to receive unemployment benefit for periods not exceeding, in the aggregate, eight weeks. It was subsequently realised that a large number of persons, who were already unemployed at the commencement of the Act, could not make the necessary minimum payment of four contributions in order

* 10 & 11 Geo. 5, c, 30, s. 20.
† *Ibid.* s. 25.
‡ *Ibid.* s. 29.
§ *Ibid.* s. 30.
‖ *Ibid.* s. 35.
¶ *Ibid.* s. 44.

to qualify for benefit. To meet the case of these, an amending Act* was passed and received the Royal Assent on the 23rd December, 1920. It provided that:—

> "Any person who has been engaged at any time in each of not less than ten separate calendar weeks since the 31st December, 1919, or at any time in each of not less than four separate calendar weeks since the 4th July, 1920, in any employment insurable under the Unemployment Insurance Act, 1920, shall, as respects the right to benefit up to the 31st March, 1921, be treated as a person in respect of whom four contributions have been paid."†

On the 8th November, 1920, there passed, under the operation of the new Act, from the 1911 Act, no less than 4,000,000 persons who, if qualified by contributions, were entitled to fourteen weeks' benefit in the first year. In addition to this number, 8,000,000 came into the insurance scheme for the first time, by reason of the extension of its scope. Soon after the 1920 Act came into force, the condition of employment in England went rapidly from bad to worse. Unemployment was general in all except the building trades. In February last the percentage of unemployment was set down at 13, and there were 360,000 men and 250,000 women out of work drawing benefit. Many men and women were exhausting their right to benefit under the Act, and it soon became apparent that something had to be done to extend the period for the payment of benefit. Moreover, protests were made that the benefits already provided were altogther inadquate to maintain workers for whom no work could be found. The unemployed should, it was declared, be provided, in the interests of the State, with a maintenance which afforded more than the barest margin of physical existence.‡

In these circumstances a further Unemployment Insurance Bill was introduced in the House of Commons on the 21st February, 1921, and, as law, came into operation on the 3rd March following.§ Its main objects were to provide for an increase in the rates, and an extension of the period, of benefit, for a variation of the conditions attaching to the receipt of benefits, and for amendments in the rates of contributions prescribed by the Act of 1920.

The benefits have been increased to 20s. per week in the case of men, and 16s. in the case of women, while it is provided that boys and girls over 16 and under 18 years of age shall receive half those rates.‖ To

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* The Unemployment Insurance (Temporary Provisions Amendment) Act, 1920.
† The *Labour Gazette*, January, 1921, p. 7.
‡ See *The Times*, February 18, 1921—Report of Parliamentary Proceedings.
§ 11 Geo. 5, c. 1.
‖ 10 & 11 Geo. 5, c. 30, ss. 1 and 2, and Sched. II, and 11 Geo. 5, c. 1, s. 1.

meet the increase in benefit it was necessary to require contributions on a higher scale, and the following rates come into force after the 3rd July, 1921:—

In the case of *men*—from the employed person, 5d. per week; from the employer, 6d. per week; from the State, $2\frac{3}{4}$d. per week.

In the case of *women*—from the employed person, 4d. per week; from the employer, 5d. per week; from the State, $2\frac{1}{4}$d. per week.

In the case of *boys*—from the employed person, $2\frac{1}{2}$d. per week; from the employer, 3d. per week; from the State, $1\frac{3}{8}$d. per week.

In the case of *girls*—from the employed person, 2d. per week; from the employer, $2\frac{1}{2}$d. per week; from the State, $1\frac{1}{8}$d. per week.

It can be seen from the above scale that the State must contribute one-fourth of the joint contributions of the employer and employee.* The increases in the rates of both benefits and contributions, however, cease to have effect on the 1st July, 1923.†

As already mentioned, by the Act of 1920 the receipt of benefits is limited to one week for every six weeks' contributions.‡ The Act of 1921 provides that in determining the amount to which any person is entitled after the 2nd July, 1922, no account is to be taken of benefits received for the period 7th November, 1920, to the 3rd July, 1922, and, further, that twenty-five contributions are to be added to the actual contributions of a person insured at the 2nd July, 1922. It is provided, however, that the additional contributions credited in that way shall not affect the statutory condition which requires that before unemployment benefit is received by the insured he must prove that at least twelve contributions have been paid in respect of him.§

Where the increased rates of contribution appear to the Minister to be excessive, regulations may be made reducing the rates equally between employers and employed persons by not more than 2d.‖

Provision is made for an extension of the maximum period of benefit, which was formerly fifteen weeks in any insurance year. During each of the two "special periods," viz., from 3rd March, 1921, to 2nd November, 1921, and from 3rd November, 1921, to 2nd July, 1922, benefit may be drawn for a maximum period of sixteen weeks, and thereafter for twenty-six weeks in any insurance year.¶

Certain amendments are made as to the conditions for the receipt of benefit during the "special periods" already referred to. Every person engaged at any time for at least twenty weeks since the 31st

* 11 Geo. 5, c. 1, s. 2, Sched. I.
† 11 Geo. 5, c. 1, s. 9 (6).
‡ 10 & 11 Geo. 5, c. 30, Sched. II, par. 3.
§ 11 Geo. 5, c. 1, s. 2 (2), and see 10 & 11 Geo. 5, c. 30, s. 7 (1) (i).
‖ 11 Geo. 5, c. 1, s. 2 (3).
¶ 11 Geo. 5, c. 1, s. 4, and s. 9 (1).

December, 1919, in work insurable under the Act of 1920, is entitled to benefit for sixteen weeks in each of the "special periods," and shall be deemed to be qualified as by the payment of contributions, even though he may not have paid the minimum of twelve contributions, nor any contributions during a particular year. He must, however, afford proof that he is normally in insurable employment, is genuinely seeking whole-time employment, and is unable to obtain it.*

To enable an association to become an association with which the Minister can make an "arrangement" under Sec. 17 of the Act of 1920, power is given to the council or other governing body of the association to make any necessary amendments in the instrument governing its constitution,—the term "instrument" including any Act, memorandum, article of association, trust deed or rules.†

The Netherlands.

In 1916 a bureau of labour was founded in the Department of Public Works. Its duties were to institute unemployment insurance, to establish labour exchanges, to endeavour to prevent unemployment, and to provide unemployment benefits. The bureau was expected to subsidise unemployment insurance funds, special or otherwise, to draw up a Bill for insurance, to develop the existing system of labour exchanges, and to establish inter-urban and international relations. Its functions also extended to the establishment of inter-urban offices and various central offices for compensation, whether for particuular industries or for employment in general, and the preparation and enforcement of laws relating to labour exchanges.

In general it was laid down that the subsidy grantable should not be greater than the amount of premiums paid by members of an insurance fund. Whatever subsidy is granted it must be borne in equal proportions by the State and the district in which the fund operates. There is no obligation upon the district authorities to grant any subsidy, but grant of the State subsidy is contingent upon a grant by the district. Subsidised funds are subject to inspection by the municipality. Every member of a fund is required to signify his willingness to accept any suitable employment offered. A refusal of such employment entails forfeiture of the right to benefit. The amount of the benefits, and the conditions under which they are payable are fixed by the administrators of the fund. It is provided, however, that no benefits are available to an unemployed person who has refused an offer of employment tendered by a public labour exchange. Where a disagreement arises regarding the right to benefits, or as to the interpretation of the phrase "suitable employment," the matter in dispute is referred to the Minister of Public Works, who decides the question at issue, after consultation with the proper committee.

* 11 Geo. 5, c. 1, s. 3 (1) and (3).
† 11 Geo. 5, s. 6.

Provision is made for the constitution of a consultative committee consisting of twelve members. Of these, six are required to be representatives of insurance funds, and six to represent the State and district authorities. A system of labour exchanges is an essential part of the scheme, and the bureau was required to establish one for each of thirty districts, and to group the bureaux of each commune. The central exchange for each district is supported by the State, but the communes must contribute to the expenses of the district offices.*

Soviet Russia.

The first country to follow the example of the United Kingdom by introducing a system of compulsory insurance against unemployment was Soviet Russia. There, in March, 1918, a law was passed which, while it provided for a compulsory scheme, differed from the English plan in at least one important respect—the workers were not required to contribute. The employers of Russia have to bear the entire burden of contributions. They are compelled to pay 4 per cent. of their total wages bill, or 5 per cent. for seasonal workers. A workman who has been out of employment for at least four days is entitled to a benefit amounting to four-fifths of his previous wages, provided such benefit is not greater than the average customary wage paid in the industry in which he was employed.†

Italy.

The effect of the extraordinary dislocation of industry due to the transition from war to peace was severely felt by Italy in common with most other European countries, and, dating from the Armistice, a number of emergency measures to deal with the unemployed were successively adopted. From these a comprehensive national scheme of compulsory unemployment insurance was developed and came into operation on the 1st January, 1920. Before studying the details of the compulsory scheme, however, it would perhaps be advisable to look at the preceding legislation in the outline.

In November, 1918, there was created a fund of 100 million lire‡ for the purpose of providing relief to the unemployed. Regulations were enacted with regard to the work of labour exchanges set up by organisations of workers or employers, by communes or provinces, by benevolent institutions, or by royal decree. Wherever voluntary employment offices did not exist, communal and provincial employment committees were to be established, and the supervision of the entire organisation was to be the duty of a central employment office. District employment exchanges covering one or more provinces were

* *Bulletin du Ministère du Travail et de la Prevoyance Sociale*, June-July, 1917, p. 327.

† The *Labour Gazette* (Canada), 1920, p. 1202.

‡ The par value of a lira is approximately 9½d.

also established as the outcome of an agreement made between the National Union of Industrial Joint Stock Companies and the General Federation of Labour which furnished the necessary funds.

In January, 1919, regulations were laid down for the payment of unemployed donation. In each province the supervision was placed in the hands of a Provincial Commission, the central authority being a temporary Unemployment Benefit Office which amalgamated with the Central Employment Office.

At the beginning of February, 1919, a Central Commission for the Placing of Labour was appointed by royal decree, provision having been made for it in November, 1918. The Central Commission supervises local employment organisations, and makes suggestions to the Ministry of Industry, Commerce, and Labour, generally through its Executive Council.

A decree of the 9th February, 1919, made provision for the placing of non-manual workers and for grants to their associations to form an unemployment fund.

In April, 1919, regulations were enacted prescribing the formation of electoral lists of employers' and workers' associations entitled to be represented upon Employment Authorities.

In September, 1919, the original grant of 100 million lire being exhausted, a further sum of 50 million lire was appropriated for unemployment benefits. In October and November, 1919, the system was revised by further Decrees, the provisions of the most important of which being set out hereunder.

Provisions of the Decree of 19th October, 1919.

A National Unemployment Insurance Fund is constituted out of moneys remaining over from unemployment funds previously formed, a proportion of contributions controlled by Mixed Provincial Funds and Trade-union Funds, and an annual sum which, for the first three years, is fixed at 40 million lire.*

The fund is administered by the Central Executive Council. The Central Council for Unemployment has to co-ordinate and supervise the working of the mixed Provincial and Vocational Funds for unemployment and to financially support them from the National Fund referred to. It has also to propose the allocation of subsidies and contributions for the assistance of Unemployment Funds which have been set up by workmen and not required to be registered.†

The direction and co-ordination of services for insurance against unemployment are matters which are entrusted to a National Office with a Central Commission and Executive Council. Local direction and control is exercised by provincial councils and local supervisory Commissaries. For the administration of the National Unemployment Fund the Central Executive Council may delegate permanent functions to one of its members.‡

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* Art. 23. † Art. 24. ‡ Art. 1.

An Unemployment Council is constituted for every Province. This body has to administer the Mixed Provincial Insurance Fund, "mixed" meaning a fund having a membership composed of persons of different occupations. It will also have to administer the vocational sections of such a fund, and control and supervise the distribution of subsidies.*

All employers engaging labour, except directly or through their own agents, must apply to a labour exchange. The carrying on of an employment agency for the sake of profit is forbidden.†

Every worker must be furnished with a book by the employer. At the same time as the book is issued by the employer a counterfoil detached from the book is sent to the provincial council certifying such issue. Employers are required to insert in the book a record of the worker's successive engagements and dismissals. The worker's book must be deposited with the employer and returned to the worker when he is discharged. In order to obtain registration at any labour exchange the worker must deposit his book there. A worker's registration at the exchange, and the payment of unemployment benefit will be suspended if his book shows traces of alterations or deliberate defacement. Employers are required to report once a fortnight to the proper exchange the names and qualifications of workers engaged by them.‡

Workers of either sex, who are in the employ of others, and receive a fixed time-wage, or are paid according to a piece-work system, must insure against involuntary unemployment. A similar compulsion operates in the case of non-manual workers in private concerns whose total salary does not exceed the higher limit fixed for compulsory insurance against infirmity and old age, which was 350 lire per month.§ Those under 15 or over 65 years of age are exempt, and so, likewise, are domestic servants, persons working at home, and persons in the permanent employ of the State, the province, or the communes. The Minister in charge of the National Office, in consultation with the Central Executive Council, may exempt special classes of workers, such as those who are customarily employed for short periods only. The same authority may make regulations for the grant of State subventions to voluntary funds in the case of persons exempted from compulsory insurance.‖

There are set up, in every province, compulsory mixed unemployment funds, administered by the provincial council. A manual worker, however, may not register in more than one fund.**

Provision is made for certain classes of workers, who may be obliged, from special local conditions or risks, to attach themselves to special vocational compulsory insurance funds. These are to be administered by representatives of the classes concerned, as well as

* Art. 4. † Art. 11. ‡ Art. 13.
§ *Monthly Labour Review*, April, 1920, p. 194. ‖ Art. 25.
** Arts. 26 and 27.

of the State. Special vocational sections of mixed provincial funds to be administered by the provincial councils may be permitted in provinces in which the majority of workers are grouped according to clearly defined trades. Recognition may be granted to vocational funds set up by skilled workers' organisations or under agreements between employers and employees to insure against unemployment.*

A tentative scale of contributions to the compulsory insurance funds has been laid down upon a basis of earnings, and may be set out as follows:—

Daily Earnings.	Contribution.		
	Fortnightly.	Weekly.	Daily.
	Lire.	Lire.	Lire.
Not more than 4 lire	0·70	0·35	0·06
More than 4 but not more than 8 lire	1·40	0·70	0·12
More than 8 lire	2·10	1·05	0·18

Half these contributions are payable by the worker, and the other half by his employer. The employer is responsible for the whole payment on the day on which wages are paid, and may deduct the worker's contribution from his wages. The daily contributions are determined on the basis of tables of average earnings according to rules prescribed. Workers involuntarily unemployed owing to lack of work are not liable for contributions.†

Where at the end of a financial year contributions to a fund are found to be inadequate to pay the benefits, the scale of contributions to that fund may be increased. At the end of every third year the scale of contributions may be re-arranged in relation to certain classes of risk.‡

Contributions, as a rule, must be paid in the form of stamps; but if, for any reason, that method is impossible, payments may be made by deposits at post offices, which may be empowered to charge a percentage on the deposits for the work involved. Contributions belong to the fund with which the person is registered, notwithstanding his temporary residence in the area of another fund.§

The Minister has power to fix the proportion of the collected contributions which must be paid into the National Fund as before mentioned.‖

* Arts. 28 and 29.
† Art. 31.
‡ Art. 32.
§ Art. 33.
‖ Arts. 23 and 34.

The benefits payable depend upon the contributions, and therefore upon the daily earnings of the contributor. The daily benefits in the three different wage scales are as follows:—

Daily earnings.	Daily benefit.
Not more than 4 lire	1·25 lire.
More than 4, but not more than 8 lire	2·50 lire.
More than 8 lire	3·75 lire.

It is provided, however, that in no case may the daily benefit exceed one-half of the daily earnings. The payment of benefit is limited to 120 days in any one calendar year, and the right to benefit does not accrue until the eighth day of unemployment. Where compensation for discharge has been received by non-manual workers in private firms, the right to benefit does not accrue until the eighth day after the period in respect of which compensation has been received. After the receipt of benefit for the 120 days referred to, the right to further benefit is suspended for a period of six months. Benefit is only payable in cases of involuntary unemployment caused by lack of work. In the case of a seasonal trade unemployment during the slack season gives no right to benefit unless the workers concerned pay a special supplementary contribution specified in the rules of each fund. No benefit is payable in respect of unemployment arising out of a trade dispute.*

The payment of benefit is made through the Labour Exchange or post office, but vocational funds may pay through their own officers, subject to certain rules of accountancy.†

An unemployed worker must attend at a Labour Exchange the day after that on which his employment terminates. Unless he does so, his right to benefit is suspended. It will revive, however, when he does present himself at an exchange as an unemployed person, but the term of benefit does not begin until five days after registration, provided that at the time the seven days normally required have expired. A non-manual worker in a private firm must present himself immediately he receives notice of discharge, and must not wait till his notice has expired.‡

An unemployed person has no right to benefit unless he has, during the two years preceding, paid at least twenty-four fortnightly contributions or the equivalent in weekly or daily contributions. If this requisite minimum number of contributions have been paid, but there have been less than thirty-six fortnightly payments, benefit is payable for 90 days; but thirty-six or more fortnightly contributions give a right to benefit for 120 days. Manual workers, or non-manual workers of private firms, who, being Italian citizens, have,

* Art. 35. † Art. 37. ‡ Art. 38.

during the preceding two years, worked abroad at a trade or profession subject to the obligation of unemployment insurance in Italy, are only liable to half the number of contributions stated. By the term "preceding two years" is meant a period of twenty-four months previous to the month in which the worker loses his employment.*

A person who unreasonably refuses suitable employment offered by an exchange in his or an allied trade forfeits his right to benefit. An unemployed person may be required, subject to appeal, to accept employment in a locality other than that in which he is domiciled.†

Persons who are notoriously idle and drunken, or who habitually frequent places which sell spirituous liquors, are excluded from benefit.‡

Provincial Councils may make the payment of benefit conditional upon attendance at classes for elementary or vocational instruction.§

Disputes as to the application of the law are submitted to the Provincial Councils, but an appeal lies from their decisions to the Central Executive Council.‖

Provision is made for the inspection of the provincial and vocational funds and the other agencies set up for the carrying out of the law, as well as of establishments and concerns in which persons are employed. Penalties are imposed upon employers who obstruct inquiry, and who neglect to arrange for the payment of contributions for insurance, and upon persons who obtain or attempt to obtain benefit by any fraudulent means.¶

Austria.

At the close of the war the problem of the unemployed assumed serious dimensions necessitating, as in Italy, the adoption of certain temporary measures of relief. By 1920 the financial burden imposed upon the State by the existing system had caused such a heavy drain upon the resources of Austria that it became imperative to transfer some of the load from the shoulders of the Government. The marked improvement in the condition of employment** and the revival of industry made it possible to contemplate a scheme of insurance in which the workers themselves, as well as their employers, should participate.

The new Act which was promulgated on the 24th March, 1920, and came into operation on the 9th May following, imposes upon the employers and the workers the duty of providing two-thirds of the necessary money, while the State is required to find the balance. In

* Art. 39. † Art. 40. ‡ Art. 41. § Art. 43. ‖ Art. 42.

¶ Art. 44, 46, and 48, "Compulsory Insurance against Unemployment in Italy," Ministry of Labour, 1920 (Cmd. 613). See also *Monthly Labour Review* (U.S. Dept. of Labour, Bureau of Labour Statistics), April, 1920, p. 194, and the *Labour Gazette*, February, 1920, p. 63.

** The number of unemployed fell from 186,030 on the 1st February, 1919, to only 50,000 on the 1st April, 1920. See the *Labour Gazette*, June, 1920, p. 124.

order to be entitled to benefit an unemployed person must have worked for at least twenty weeks during the preceding year. The payment of benefit is limited to twelve weeks in any year, and does not begin until the eighth day of unemployment. In any case, where a worker unreasonably abandons his job, the right to benefit is suspended for four weeks. If, after receiving benefit for eight weeks, there is no prospect of his obtaining work in his own trade, an unemployed person must accept any properly paid employment for which he is adapted. Where necessary, training must be given in a new trade. Industries in which the conditions of employment are considered to be favourable may be grouped together and excluded from the scheme.

Unmarried workers, manual and non-manual, are to receive 60 per cent., while married workers are to be paid 80 per cent. of the daily sickness benefit due to the worker in the last employment in which he was compulsorily insured against sickness. To facilitate the transition from the old to the new system, the Government has arranged that, for the period during which the disturbance of economic life, due to the war, continues, the benefits for unemployed persons with families dependent upon them may reach 100 per cent. of the sickness benefit, while for others it may amount to 75 per cent. Workers who have enjoyed unemployment benefit for the general maximum period abovementioned, may, in special cases, have the period extended to twenty weeks.

District industrial committees are constituted of representatives of employers and employed persons in equal proportions, and in their hands the administration of the scheme is placed. These committees are required to nominate sub-committees, equally representative of employers and employees. The sub-committees are to act as arbitrators at each employment exchange, whenever disputes arise as to the decisions of the exchange in regard to the amount, the refusal, or the duration of relief, &c.*

* The *Labour Gazette*, June, 1920, p. 294.

CHAPTER VIII.

AUSTRALIAN ACTIVITIES.

Though the question of unemployment insurance has not been entirely disregarded by legislators in Australia, no scheme has yet been adopted either by the Commonwealth or by any of the six constituent States. Proposals were first made by the Government of Queensland following closely upon the lines of the British National Insurance Act of 1911. The matter had received the attention of the Interstate Conference of Premiers held in May, 1915, when it was affirmed that legislation on the subject of unemployment insurance should be either Federal or uniform among the States. Owing to a change of Government in the northern State, further progress was delayed until 1919.

Queensland.

In 1919, a measure was introduced into the Queensland Parliament under the title of the " Unemployed Workers' Bill." Though this Bill, being rejected by the Legislative Council, did not become law, it will be of interest to examine its main provisions so far as they relate to unemployment insurance.

The Bill provided for the creation of an Unemployment Insurance Fund. Into this fund were to be paid all moneys received by way of assessment from employers. There was no provision requiring contributions from the workers. An assessment was to be made and levied annually upon every employer. For the first year the assessment payable by every employer was to be fixed at £2 for each worker employed, while in subsequent years the amount was to be determined by the Minister upon the recommendation of the Unemployment Council which was proposed to be constituted. This council was to consist of the Minister of Public Works, a judge of the Court of Industrial Arbitration, the Director of Labour, a representative of the workers, and a representative of the employers. It was provided that assessment made by this body should be based on the number of workers employed by each employer for the particular year, or on such other basis as might be prescribed. For the purpose of assessment the number of workers employed in any year was to be the average of the number employed on each working day during the year. If an employer were able to satisfy the Minister that he had continuously employed any worker throughout the year, he was to receive a rebate of assessment at a rate to be fixed. To enable the assessment to be made and levied, employers were to be required to furnish returns giving certain particulars. Where an employer failed to pay a levy within the time prescribed, power was to be given to the Minister

to enforce payment and recover an additional sum of one-tenth of the amount by way of penalty. Should it appear to the Minister in any case that an enforcement of an assessment would inflict a hardship upon the employer, he was to exercise a discretion in the matter of remitting the whole or any part of the assessment.

It was clearly intended that the scheme should be worked in association with the State labour exchanges, at which every unemployed worker was to be entitled to be registered for employment. Any worker who had been a *bona fide* resident of Queensland for a continuous period of twelve months immediately preceding registration, was to be entitled to sustenance allowance out of the insurance fund if not provided with work after the expiration of fourteen days from date of registration. It was provided, however, that where a worker unreasonably refused employment, his right to an allowance was to be suspended for fourteen days from the date of such refusal. In the case where a registered trade or industrial union enjoyed the right of preference of employment for its members, and any worker objected to become a member of such union, he was not to be regarded as having a reasonable excuse for refusing work on that ground. Strikers were to be disqualified from receiving the allowance during the currency of the strike, and if such strike occurred in contravention of the Industrial Arbitration Act of 1916 they were to be deprived of the right to allowance for a period of six months from its determination. Where the unemployment was solely due to the fault of the worker, he was to be debarred from the receipt of allowance for a period not exceeding three months.

The Bill provided for weekly allowances ranging, according to districts, from 17s. 6d. to 22s. 6d. for single workers, male or female, and from 25s. to 35s. for married workers with dependants, with an additional amount of from 2s. 6d. to 3s. for each child (not exceeding four children) of a married worker, widower, or widow under 16 years of age living and dependent on the worker.

A "worker" was defined in the Bill as "any person, male or female, of the age of 16 years and upwards, in any manner engaged or employed by an employer, and whether the worker's remuneration is to be according to time or by piece-work, or at a fixed price, or otherwise howsoever; used in relation to a person whilst unemployed the term means a person who, when employed, fulfilled the conditions aforesaid." The term did not include an indentured apprentice, members of certain specified professions, as well as others in which personal skill, knowledge, and attention is required, a person who contracts with an employer for the performance of work which is not solely performed by him, or an auctioneer, or an agent. Though it was also provided that a person whose total earnings during the preceding year exceeded £260, did not come within the term of "worker" a discretion was to be reserved to the Unemployment Council to regard such a person as within the definition and entitled to sustenance.

New South Wales.

Provision was inserted in the Industrial Arbitration Act of 1912,* by an amending Act of 1918,† whereby funds for insurance against unemployment in any industry may, under certain conditions, be created. State bonuses or subsidies may be paid to unemployment insurance committees on the recommendation of the New South Wales Board of Trade. It is provided that the payments by the State shall not exceed 5 per cent. of the total wages paid to employees represented by the committees. The Board of Trade must, before any bonus or subsidy is paid, certify that the employers and employees engaged in the industry contribute to the fund in proper proportions, and that the fund is administered by a suitable committee representative of employers and employees.

* Act No. 17 of 1912, s. 108. † Act No. 16 of 1918, s. 21.

CHAPTER IX.

AMERICAN OPINION.

A widespread and increasing interest in questions of social insurance has been evinced during the past decade by the economists and industrialists of America. Particular attention has been spasmodically directed to that phase of the question which is concerned with the making of some systematic provision against unemployment.

When the currents of international business had been blocked by the outbreak of the European war a financial depression occurred in the United States which afforded an excellent opportunity for the study of unemployment. During the winter crisis of 1914-15 the conditions prevailing in many of the largest industrial centres were positively appalling. Municipal lodging-houses overflowed into city morgues, where many of the workless, weary and disheartened, on the coldest nights, found a refuge in rows on the floor. Churches were broken into by men who sought in them a resting place upon their pews. In these circumstances it was little wonder that public interest was aroused, and that a great deal of attention was bestowed upon the subject of unemployment insurance. All economists were agreed as to the growing seriousness of unemployment. The fear was expressed that this great evil which was threatening wage-earners might at any time be precipitated into a national calamity through tariff changes, foreign wars, or other extraordinary cause.

At that time, the suggestion was made that if unemployment insurance were in force there would be considerably less unemployment than there was, because greater efforts would be made to regularise industry, and keep the workers employed.* Public interest in industrial affairs was probably never at a higher tension than during the first winter of the war period. Statistics were gathered, committees organised, and conferences held for the purpose of investigating and discussing the problem of the unemployed. With the lapse of a few months, however, and the advent of improved conditions, it was found that the public interest had passed away with the crisis.

The only unemployment insurance existing in America is that which is to be found among the trade-unions providing out-of-work benefits to their members. A good deal of attention, however, has been concentrated upon the feasibility of extending the system through Government subvention. Some advocates of unemployment insurance favour the Ghent system, under which, in Europe, trade-union benefits are supplemented by Government subsidies, while, on the other hand,

* *Steam Shovel and Dredge*, April 19, 1915, p. 380.

a certain amount of support is accorded to the English plan. Professor Charles R. Henderson, speaking at the American Conference on Social Insurance, held at Chicago on 6th and 7th June, 1913, pointed out that, until recently, students of the problem had regarded the so-called Ghent system as the most that could be achieved. He believed, however, that the introduction of the national system of compulsory insurance of Great Britain was responsible for a great change of opinion. It was thought that the Ghent plan, with its narrow limitations, was now considered by many to be inferior to the English system.

At the beginning of 1915 the Chicago Industrial Commission estimated that the cost of providing charity for their unemployed during the winter months would amount to over £100,000. The commission declared that emergency relief work with charitable funds was, at best, a sorry makeshift—a plan so wasteful that the business community did not, and could not, approve of it. In substitution for charitable aid the establishment of systems of unemployment insurance by the State or the Nation was recommended. In the same year Professor Roswell McCrea, Dean of the Wharton School of Economics, University of Pennsylvania, emphasised the expediency of unemployment insurance, and remarked that poverty was an aspect of modern industry, and must be treated in that light. From other points of view than that of expediency, contentions have been raised in favour of unemployment insurance. Its abstract justice has been argued by Mr. Robert G. Valentine, of Boston, who, before the Central Philanthropic Council of Massachusetts, said:—

> "Unemployment is a problem of industry—it is an inherent aspect of business management. Employers must realise that they owe a duty to the pool of labour from which they draw men as they need. They must devise a means (unemployment insurance) so that men thrown back into this pool, because of unemployment through no fault of their own, shall not suffer."

The Mayor's Committee on the Unemployment of Spokane arrived at similar conclusions, and reported, on 20th February, 1915:—

> "Reserves of labour are necessary, under present industrial conditions, for the full expansion of industry in busy times, and can be fully taken care of during periods of depression only through a system of State and National unemployment insurance."

The Social Insurance Committee of the American Association for Labour Legislation entered upon the task of drafting a Bill for compulsory insurance in the hope that it would be introduced in several of the State legislatures in 1916. In New York a special committee was also appointed by the Socialist Party Executive Committee to prepare a measure providing for insurance against unemployment. Furthermore, the State Federation of Labour and the Committee of the Constitutional Convention of the American Association for Labour

Legislation took up the question and endeavoured to secure the inclusion, in the proposed new constitution, of a clause which would permit of the introduction of some system of unemployment insurance.

The question of unemployment insurance, however, can hardly be said to have emerged from the agitation stage. A phenomenal amount of public attention has, indeed, been focussed upon the subject during the past few years, and very little adverse criticism has been levelled against the demands for a State or National system. Some regard this absence of opposition as a sure sign that unemployment insurance is now entering the realm of practical politics. Just as the laws which provide for insurance against industrial accidents have resulted in employers discovering the means to prevent accidents, and the health insurance laws of many countries have brought about improved methods of protection against industrial diseases, so it is thought that unemployment insurance in America will stimulate the efforts of employers in the direction of regularising employment. Regarding the matter from a higher plane, there is a large body of opinion which favours a sound system of unemployment insurance, on the ground that it is socially more just and more economical than charity.*

* "Social Insurance in the United States" (Jurdon R. Miller). *The American Labour Legislation Review*, vol. v, pp. 589-592. *The Survey*, vol. xxx. *The Survey*, vol. xxxiii, p. 552. *The Survey*, Nov. 13, 1920, p. 245.

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